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CHINA AIRLINES

2022 ANNUAL REPORT



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(Summary Translation)

This document is prepared in accordance with the Chinese version and is for reference only. In the event of any discrepancy between the English version and the Chinese version, the Chinese version shall prevail.

Letter to Shareholders

1.1 Operating Performance in 2022

1.2 Business Plan for 2023

1.3 Development Strategies

1.4 The Effect of External Competition, Legal

Environment, and the Overall Business Environment

I. Letter to Shareholders

Looking back on 2022, enduring challenges brought about by the novel coronavirus pandemic, along with the outbreak of the Russo-Ukrainian War, ensuing supply-demand imbalance, rising inflation, oil price hikes, monetary tightening, and economic slowdowns, have continued to affect the recovery of the aviation industry. In this ever-changing global economic environment, China Airlines is committed to maintaining resilience in operations. In 1H 2022, the Company maintained its “prioritize cargo” business strategy to sustain its cargo revenue. In the second half of the year, as the demand for cargo freight began to return to normal and the demand for passenger traffic recovered due to the lifting of border restrictions in many countries, the Company’s annual revenue remains stable.

China Airlines continues to pay attention to market trends and adopts practical approaches in facing various challenges in the post-pandemic era. In addition to rolling adjustments to its flight network, capacity, and schedule, the Company strengthens revenue management by consolidating and dynamically optimizing resources for passenger and cargo transport. The Company also actively recruits pilots, maintenance, and back-office personnel to meet operational requirements and conducts on-the-job training to boost the professional competency of its staff. The company also facilitates employees’ cooperation with the government’s vaccination policies as part of pandemic management and no contact services to improve passenger safety are normalized in the post-pandemic period.

As China Airlines welcomes the recovery in its passenger transport business and improve its network of destinations post-pandemic, the Company will continue with fleet renewal efforts in 2022 with a commitment to purchase 16 Boeing 787-9s (with the option for 8) to be delivered from 2025 to replace the A330-300. Since its introduction into the fleet at the end of 2021, the A321neo fleet is 10 strong as of end-2022 and will gradually replace the Boeing 737-800 to become the main passenger aircraft serving regional destinations. As of end-2022, the Company has purchased 5 Boeing 777F freighters, and its cargo fleet is currently at 22 planes. With the arrival of next-generation passenger and cargo aircraft, the performance of the entire fleet in the areas of fuel consumption, carbon reduction, service quality, fleet coordination, and operational efficiency will be greatly improved, further driving the Company’s momentum in the post-pandemic era.

With 10 awards both locally and abroad, China Airlines’ sustainability achievements in 2022 were outstanding. These 10 wins included being placed first in the Dow Jones Sustainability Index (DJSI) global aviation industry segment, its selection as a constituent stock in Emerging Markets for the 7th consecutive year, as well winning the 2022 National Sustainable Development Awards (NSDA) of the Executive Yuan, its first year participating in the award. The Company has also been selected as a constituent stock of the FTSE4 Good Emerging Index for the 7th consecutive year, won its 9th consecutive Taiwan Corporate Sustainability Award (TCSA), and won the Global Corporate Sustainability Award (GCSA) for 4 years in a row, a testament to China Airlines’s global leadership in aviation ESG and sustainability. In response to SkyTeam’s Sustainable Flight Challenge, the Company’s introduction of the Sustainability Demonstration Flight and participation in the “Flying Pikachu Project” promoted by the Pokémon Company, reflects its ideals and the Company’s spirit of corporate sustainability.

With the lifting of border restrictions at the end of 2022, China Airlines has been gradually restoring the flight network by actively increasing the number of flights and exploring potential destinations, with significant passenger traffic growth expected in 2023 on a backdrop of a waning impact of the pandemic and passenger confidence recovering. In terms of cargo transport, the Company will maintain passenger-freighter flexibility to cope with the challenges from global inflation, as well as political and economic shocks. China Airlines will maintain risk control protocols implemented during the pandemic and apply sustainability strategies based on the six aspects of safety, governance, fleet and network, products and services, group business, and brand awareness, to fulfill its sustainable governance objectives. The Company will work with all employees to adopt innovative mindsets and fully commit to improving the organization’s operational efficiency as the company welcomes the post-pandemic era steadfastly.

1.1 Operating Performance in 2022

Operating revenue in NT dollars (and hereafter the same) was NT\$141.07 billion, a 6.76% increase over the past year, and the after-tax net profit was NT\$2.86 billion, which is a decrease of 6.52 billion over the last year, for a basic after-tax net profit of NT\$0.48 per share.

1.1.1 Results of the business strategy

A. Fleet:

Two 777F cargo aircraft and eight A321neo passenger aircraft were introduced in the in 2022 to optimize the fleet structure. As of the end of December 2022, our fleet size was 88 vessels, including 66 passenger aircraft (including leased aircraft) and 22 cargo aircraft.

B. Passenger flights:

Revenue from passenger business was NT\$20.479 billion, an 496.36% increase over the past year and accounted for 14.52% of total operating revenue. As of the end of 2022, the China Airlines Group flew to 27 countries and 145 passenger destinations, spanning Asia, Europe, the Americas, and Oceania.

C. Cargo flights:

Revenue from the cargo business was NT\$115.864 billion, a 6.75% decrease over the past year, accounting for 82.13% of total operating revenue. As of the end of December 2022, the China Airlines Group flew 22 cargo planes in cargo operations to 14 countries and 36 destinations. The average number of flights per week was about 97.

D. Other operating income:

Other operating revenue included in-flight duty-free sales revenue, totaling NT\$4.727 billion, an 6.06% increase over the past year, and accounting for 3.35% of the total operating revenue.

E. Investments and earnings:

As of the end of 2022, the Company had investments in a total of 30 companies in various businesses, such as air business, ground services, logistics, aircraft maintenance, air cargo station business, etc., which contributed to NT\$2.94 billion in loss over the year.

1.1.2 Business cash-flow budget and profitability analysis

A. Cash flow:

Operating revenue was NT\$141.07 billion, an increase of 8.93 billion over last year.

Operating costs and expenses were NT\$135.153 billion, an increase of NT\$22.333 billion over last year.

Pre-tax net profit was NT\$3.889 billion, a decrease of NT\$8.085 billion over the past year.

After-tax net profit was NT\$2.86 billion, a decrease of NT\$6.52 billion over last year.

B. Budget execution:

The projected operating revenue was NT\$126.304 billion, and the actual operating revenue was NT\$141.07 billion, with a 111.69% attainment. Projected operating costs and fees were NT\$117.129 billion, and actual operating costs were NT\$135.153 billion, at a spending rate of 115.39%. Projected losses from non-operating activities totaled NT\$1.999 billion, with actual losses from non-operating activities at NT\$2.028 billion. The projected annual pre-tax net profit was NT\$7.176 billion, and the actual pre-tax net profit was NT\$3.889 billion.

C. Profitability:

Return on assets	1.72%
Return on equity	3.97%
After-tax profit margin	2.03%
After-tax earnings per share	NT\$0.48

1.1.3 Research and development

A. Cabin of the new A321neo fleet

The first A321neo was delivered in November 2021, featuring a 12-seat full flatbed business class and a spacious 168-seat economy class for a total of 180 seats. The A321neo is equipped with high-speed Internet access and the latest, industry-leading in-flight entertainment systems with 4K monitors and support for passengers' Bluetooth earphones.

The oriental-themed cabin was designed jointly with a renowned design studio incorporating humanistic aesthetics. Cabin equipment highlights our competitive advantage and strengthens brand differentiation to build a deeper emotional connection with passengers. Moreover, fleet renewal and network refinement foster operational advantages and profit opportunities.

B. 737-800 in-flight entertainment system upgrades on regional routes

Starting 2020, the Company has been working on optimizing the in-flight entertainment system of the 737-800 fleet with the Wireless Entertainment System, allowing in-flight entertainment on mobile devices. This will improve cabin service and reduce the variations in in-cabin entertainment. We have therefore gained competitiveness with improved cabin services and narrowed variations in in-flight entertainment. Passengers can safely enjoy their flights in the post-pandemic world as frequencies to touch equipment are lessened. The platform has officially launched in the second quarter of 2022.

C. Traveler Information optimization

Although many countries have lifted their border restrictions in 2022, direct passenger flights remained affected. China Airlines' customer-oriented approach offers travelers user-friendly and visualized flight schedule information on its website. To provide travelers with pandemic management information and relevant services during the pandemic, the "Coronavirus Information Service Zone" webpage provides five functions: Quarantine Hotel and to/from- transportation booking, hospitals offering PCR testing, portable Wi-Fi router rental, as well as entry and exit regulations in various countries. In response to the lifting of border restrictions around the world in the post-pandemic era, the website moved "Coronavirus Information Service Zone" banner on the landing page to the "Fly safe Information & Service" section which provides the latest international border control regulations and travel-related information. In terms of payment on the website, the Company has begun offering LINE Pay on the official website and the China Airlines App starting July 19, 2022 so that travelers are presented with more convenient and diverse payment methods. LINE Pay was also used for the first time at the Taipei International Travel Fair (ITF) in support of marketing activities and was well received by many travelers.

D. Digitized and diversified customer service

In appreciation of the continuing support from members of the Dynasty Flyer Program, China Airlines offered the latest membership renewal benefits in 2022, extended cabin upgrades, international flight ticket validity period, and tickets from mileage rewards to safeguard the rights and interests of its members. To provide members with various mileage redemption services, China Airlines has released the latest redemption chart for cabin upgrades and mileage reward tickets. Channels for mileage redemption are also expanded to include cross-industry collaboration where star-rated dining and hotels and short-mileage discounts on diverse items are added to enhance the value and liquidity of redeemable miles. In terms of membership services, the user experience is further improved by the launch of a quick membership registration program on the official website which can be completed within 1 minute and members are free to subscribe to benefits or marketing messages. The revised membership registration program both complies with the personal data protection regulations and minimizes annoyance as effective and targeted communication with travelers is now possible.

E. The Company's 2022 information development strategy is a continuation of the "Solid root first, innovation as a supplement" approach which prioritized information security above all. We promoted innovative information application services and completed the development of various core business application systems and infrastructure to achieve zero-trust security. Relevant IT applications and areas of implementation to bolster the Company's core competitive advantages include customer relationship management, business intelligence decision-making analysis, mobile/self-service, biometrics, AI/immersive technology, robotic automation, pandemic control, information and communication infrastructure, and information security.

1.2 Business Plan for 2023

The global air passenger transport business has experienced a significant recovery in 2022. However, due to the slower lifting of border restrictions in Asia-Pacific countries and the zero-tolerance policy adopted in China, the 2022 passenger traffic in the Asia-Pacific region has reached only 44.3% of the figure before the pandemic (2019), which was significantly behind the world standard (2022 figure hitting 70.6% of that before the pandemic). In 2023, as the countries in the Asia-Pacific region relying on tourism and China reopen their borders, CAL will continue to adjust the existing routes and actively restore the number of flights. The addition of the A321neo capacity to potential destinations will also optimize the strategic planning of the flight network.

In terms of the cargo freight market, the global economic slowdown, high inflation and weak demand in the end consumer market have made both the value and volume lower than the peak during the pandemic. However, benefiting from the lifting of the lockdown in China, which drives shipments, and the destocking in industries coming to an end, the 2023 cargo freight market should be able to gradually recover. In addition to planning to operate a fleet of 22 freighters, CAL will gradually increase its belly freight capacity in line with the passenger flight schedule. We will also coordinate and increase flights according to market changes, explore new route needs, and strive for opportunities with annual charter flights and chartered cabins to maximize revenue.

1.2.1 Passenger service

With the lifting of the border restrictions in Taiwan starting in mid-October, 2022, CAL has increased flights to offer travelers with the most flight options. For 2023, each destination will further resume the

original number of flights to meet the ever-growing travel needs.

In addition, to continue cultivating major markets and restoring the scale of operation to the level before the pandemic to reinforce the transit hub status of Taoyuan Airport, CAL will monitor market trends and adjust the flight network to cooperate with the government's diplomatic policy and assess potential markets to add flights to solidify its market leadership.

A. Northeast Asian routes:

In response to domestic travelers' demand for trips to Japan and South Korea, CAL has returned to offering at least two daily flights to major destinations such as Tokyo (Haneda), Tokyo (Narita), Osaka, and Seoul (Incheon) this year. For Nagoya, Fukuoka, and Sapporo, at least one flight per day is maintained; for some second-tier tourism cities, we will gradually resume the original schedule after examining the capacity status of ground services, customs/immigration authorities, airport disease control or quarantine units, etc.

B. Southeast Asian routes:

CAL actively aligns itself with the trends of the New Southbound Policy developed by the government and businesses and has steadily increased routes to Southeast Asia starting Q4 2022 to attract customers traveling between Taiwan and countries in Southeast Asia. We also assess the potential markets in the region and deploy flights to new destinations, such as Cebu (CEB) in December 2022 and Da Nang (DAD) in January 2023, and resume flights to Chiang Mai (CNX) in January 2023.

C. Cross-strait routes:

As for the passenger routes to China, only Pudong of Shanghai, Beijing, Xiamen, and Chengdu have remained operational since the outbreak of the novel coronavirus pandemic, and the overall traffic volume has decreased significantly compared with that before the pandemic. Following the loosening of the pandemic control policy in China starting January 2023, we have continued to increase flights to meet market demands. In response to the "Cross-Strait Passenger Flights and Destinations Resumption Plan" announced by the Mainland Affairs Council in March, which covers the opening of 10 scheduled flights and 13 chartered flight destinations in China, we have resumed the flights to Guangzhou and Shenzhen, and will gradually increase the number of flights and capacity depending on policies and demands. We will also gradually increase the flights to Hong Kong to maintain our leadership in market share.

D. Long-haul routes:

For passenger routes of Los Angeles/Ontario, San Francisco, Vancouver, and New York, we are planning to resume full-scale operation before the pandemic to meet the recovery of passenger demand.

E. European routes:

The passenger routes of Frankfurt, Amsterdam and London have resumed the number of flights before the pandemic. It is expected that starting in March, the original schedule of 3 flights per week to Rome will resume, followed by the flight increase to Vienna to the level before the pandemic.

F. Australia and New Zealand routes:

We retain the flight operations in Sydney, Melbourne, Brisbane and Auckland to maintain our competitive advantages. We are actively working on round-trip flights and transit networks between New Zealand/Australia and Europe, North American and Northeast Asia to reinforce our travel transportation services.

1.2.2 Cargo Service

In 2022, due to factors such as inflation and rate hikes, high inventory and energy cost, etc., global economic growth slowed down, which led to market fluctuations. Our 22 cargo-only freighters, which include 17 units of 744F capable of nose loading large goods and 5 units of fuel-efficient 777F, are dispatched to serve different market needs, so that we can greatly reduce fuel consumption and maintenance costs and build the most efficient aviation network. We also have regular chartered flights and cabins to serve different needs, and continue to strive for chartered transportation opportunities, such as medical rescue, information, vaccines, wafer machinery, garments, e-commerce, etc., so that we can improve profitability and maximize our revenue.

A. Long-haul routes:

The existing flight schedule plans 39 flights per week. As the new 777F planes are delivered, we will flexibly adjust the schedule to mix the new planes with the existing 744F to have both serve the North American routes and the resumed flights of MIA, so that we manage the North American and reinforce the Central and South American markets. In response to the strong export of Japan's automobile industry, we have arranged regular round-trip freight flights on the Osaka-Chicago and Nagoya-Chicago routes to cultivate the market of Japan's export to North America, further leveraging the advantages of large cargo volume and a long range of the planes.

B. European routes:

We are planning to have 8 flights per week on the current flight schedule. On the basis of having 5 LUX cargo flights per week, we will add the AMS and FRA cargo flights to take advantage of the Fifth Freedom of the Air of the European routes. We also use the stopovers in India (DEL, BOM) or Dubai (DWC) to increase two-stage income, and make full use of LHR and VIE belly freight of passenger flights to expand our share of the European market.

C. Regional routes:

We plan to have 49 flights per week on the current schedule of the regional routes. We will resume the cargo flights of MNL and CGK, and add a cargo collection function to the regional routes to facilitate the import and export of regional routes to various places. We will cultivate the Japanese market and continue to meet the import and export demand for machinery, automobiles and consumer goods. In response to the zero tariff preferential agreement of the ASEAN meant to improve regional economy and trading, we will increase the number of flights in Southeast Asia to improve trans-shipment efficiency and explore more business opportunities.

1.3 Development Strategies

1.3.1 Optimize fleet scale and improve aircraft assets

China Airlines has optimized its fleet by introducing the Airbus A321neo next-generation passenger aircraft. As for cargo freighters, it is expected that 10 units of 777F will be delivered by 2024, and we have completed the lease of 2 units of 747-400 freighters by 2022 that were once deactivated. The new type of aircraft is energy-efficient and has low fuel consumption. It can contribute to the reduction of carbon emissions and eco-friendly efforts. The improvement in service quality and the reduction in unit costs will be beneficial to the operating performance of routes and overall competitive advantage.

1.3.2 Consistent interline collaboration to add more destinations

China Airlines is the first national airline in Taiwan to join the global aviation alliance. Currently, we have collaborated with 23 airlines in code-sharing, ranking first among all Taiwanese airlines. In addition to operating our own routes, we have actively expanded global service destinations through interline collaboration, reaching tier-one and tier-two cities in Northeast Asia, Southeast Asia, Europe, the US and Canada, New Zealand and Australia to connect to our main routes, which strengthens the overall aviation network and generates more revenue from passenger flights. We have continued to work with SkyTeam to implement digital and contactless ground services to optimize our operating procedures. We also have responded to SkyTeam's various environmental protection and

carbon emissions reduction actions to improve the impact of the industry value chain on the environment. We have introduced diverse measures to enhance services and raise travelers' awareness of sustainability.

1.3.3 Flexible sales strategy for passenger and cargo flights to increase revenue

In the first half of 2022, the operational strategy was still focused on cargo, and passenger flights gradually resumed in the second half of the year. It is expected that the recovery of passenger traffic in 2023 will be more significant, and the goal is to restore flights to the scale before the pandemic. With the gradual arrival of 777F for cargo transportation and the continuous introduction of A321neo into passenger transportation services, the proportion of the new-generation fuel-efficient and high-performance fleet will increase significantly, which is conducive to the planning of passenger and cargo aviation network, the deployment of new destinations and product competitiveness after the pandemic. We will be able to flexibly coordinate the capacity, schedule, and manpower allocation to respond to the unpredictable market demand and overall economic situation after the pandemic, further maintaining our competitive advantage in the passenger and cargo transportation markets.

1.3.4 Deepen regional collaboration with express delivery companies and interline partners

Continue to collaborate with UPS, DHL, FedEx, and other international express delivery companies, increase the number of flight segments and regions of cooperation between the two parties, strengthen partnerships with foreign airlines in Europe, Asia, the United States, Japan, etc., and deepen the interline business to expand the scale of operation.

1.3.5 Continue to promote cold chain cargo

China Airlines was selected as the "Best Cargo Airline - Asia" by "Air Cargo News" in 2022, and at the same time continued the certification of the IATA Center of Excellence for Independent Validators in Pharmaceutical Logistics (CEIV Pharma), while the freight forwarding specialization has won international affirmation. In 2022, China Airlines carried a total of more than 1,900 temperature-controlled cabinets, an increase of 61% compared with 1,200 in 2021. During the pandemic, we carried a lot of pandemic control supplies, transporting masks, rapid screening reagents, and more than 120 million doses of the vaccines to and from Europe, America, Asia, and Oceania. At the same time, we assist business operators to use the Envirotainer equipped with e-tech real-time monitoring equipment, effectively enhancing the convenience for operators and the promotion of Envirotainer.

1.3.6 Digitization of cargo transportation process and paperless bill of lading

In order to accelerate the promotion of the digital freight system and establish an environmental protection mindset, our freight team conducted system and vendor selection and assessment in 2022, and signed the contract in the same year. The system installation is expected to be completed in Q2 2024. We have cooperated with the IATA to establish our concept of environmental protection and promote the digitization of the freight process to exchange electronic data with various airlines and ground services agencies so we can provide customers with real-time cargo information. We have continued to carry out the paperless operation of freight bills of lading and encourage customers to sign the MeA (Multilateral e-AWB Agreement) to eliminate the use of paper bills of lading, so that we can exchange information with contractors' systems through electronic transmission, further reducing the operating costs of airlines and contractors, and preventing delays caused by incorrect bill inputs of lading and loss of documents.

1.3.7 Continue to optimize the cargo delivery system

For our customers' convenience, several manufacturers have developed tracking devices attached to the cargo that can transmit messages, such as location and temperature/humidity in real time. In light of this trend, China Airlines since 2016 has actively assisted our suppliers to apply for equipment verification from the CAA. On March 31, 2021, the CAA agreed to add three devices, CalAmp SC1004, and Tive TT-7000/TT-7100. For high-priced, sensitive cargoes, the entire delivery process is effectively monitored and owners can receive real-time information on their goods, which is then tracked by the industry's IoT network to provide a full record of the entire process. As of December 2022, China Airlines has incorporated a total of 10 A321neo passenger aircraft into operation. The first flight flew to Hong Kong on March 27, 2022, and others were successively dispatched to Yangon, Palau, Tokyo and Da Nang, and other regional routes.

1.4 The Effect of External Competition, Legal Environment, and the Overall Business Environment

According to the forecast of S&P Global in March 2023, the weakening of the growth of major economies in 2023 might turn into a mere 2.2% global economic growth rate, slightly lower than 3.0% in 2022. This is mainly due to the

supply-demand imbalance during the pandemic and the conflict between Russia and Ukraine, which kept inflation and oil prices high. Major central banks around the world have continued to raise interest rates, which curbed end demand. The worsened pandemic situation in China toward the end of 2022 also added uncertainty to the global economic environment. Overall, the global economy has been at a low point from Q4 2022 to the first half of 2023, and it is expected to recover slowly in the second half of 2023.

Many major institutions projected that Taiwan's economic growth rate in 2023 would mostly be between 2.1% and 3.7%, which is relatively stable compared to global performance. For the aviation industry, the impact of the pandemic has diminished, leading to the recovery of international tourism. However, the down trends of the global economy have affected exports and manufacturing, coupled with the trade conflict between the US and China and the chip ban, and possible supply chain fluctuations caused by China's lifting of lockdown, which may increase uncertainty to the freight market.

The passenger volume of Taoyuan Airport reached 5.34 million in 2022, which was about 11% of that before the epidemic (2019). It is expected that the total number of visitors in 2023 will reach about 30% to 40% of the volume before the pandemic. With the resumption of flights by national, international and budget airlines, the fierce competition in the passenger transport market will be back. China Airlines will continue to phase out its older fleet and gradually use the new-generation narrow-body A321neo to take on the important task of regional routes. We will also introduce zero-contact services and high-standard pandemic control advanced cabins to enhance passenger services and improved operational efficiency.

The IATA predicts that the aviation industry will return to profitability in 2023, but the negative factors from the 2022 business environment persist, and airlines still face many challenges. We will maintain our operational resilience amid adversity, actively adopt plans corresponding to various risks, and continue to improve our corporate governance and promote ESG actions to show our determination in achieving sustainability.

Chairman: Hsieh, Su-Chien

President: Kao, Shing-Hwang

Finance Manager: Wang, Wei

Company Profile

2.1 Date of Incorporation

2.2 Company History

II. Company Profile

2.1 Date of Incorporation

September 7, 1959

2.2 Company History

1959: China Airlines (CAL) was founded by 26 retired members of the Air Force with TWD 400,000 in capital. The Company flew charter flights using two rented PBY seaplanes.

1961: Provided military supply transport to Laos.

1962: Flew special cargo missions for the Vietnamese government and USARV. Inaugurated the first domestic route from Taipei to Hualien.

1966: Inaugurated the first international route from Taipei to Saigon (now Ho Chi Minh City), marking CAL's official start in international aviation.

1967: Inaugurated Northeast Asia routes.

1970: Developed trans-Pacific routes to explore the US market.

1976: Inaugurated Middle East and Saudi Arabia routes.

1978: Invested in Taoyuan International Airport Services Co., Ltd.

1980: Invested in Dynasty Holidays, Inc.

1983: Expanded European routes.

1986: Divided the Operations Division into Passenger and Cargo Divisions to expand operations.

1988: Twenty-seven shareholders gifted shares to establish the China Aviation Development Foundation, transferring the rights of supervision and management to the society.

1989: Invested in Hwa Hsia Co., Ltd. and Tai Kong Ju Investment Co., Ltd.

1990: Added Phuket and Bali destinations. Invested in Abacus Distribution Systems (Taiwan) Ltd.

1991: Established the Hua Mei Investment Company and Mandarin Airlines. The Ministry of Finance approved the public offering of China Airlines shares.

1992: Resumed flights to Ho Chi Minh City. The Taiwan Stock Exchange approved the listing of China Airlines shares. The Company gained 100% equity interest in Mandarin Airlines.

1993: First flight to Frankfurt, Germany. Established the German Branch Office. Officially listed on the Taiwan Stock Exchange.

1994: New engine repair plant became operational and Songshan Training Minquan Building opened. Set up China Pacific Catering Services as a joint venture with the Swire Group.

1995: First flights to Switzerland and Italy. Entered into a joint venture with Pratt & Whitney and SIA Engineering Company Limited to establish Asian Compressor Technology Services Co. in Taiwan. Invested in CAL-Asia Investments Inc. CAL launched its "plum blossom" logo.

1996: Inaugurated the Taoyuan-Penang cargo route.

1997: Inaugurated the Kaohsiung - Hong Kong - Jakarta route. Established the first cargo-only flights between Asia and Miami. Established code share flights with Continental Airlines and American Airlines. Invested in Huasheng Investment Company and China Pacific Laundry Services Ltd.

1998: Set up its Penang Branch Office and Hanoi Branch. Began using the Third Maintenance Hangar.

1999: Inaugurated cargo flight routes to Sydney, Delhi, and Colombo. Set up Kaohsiung Airport Catering Services as a joint venture with TransAsia Airlines and Far Eastern Air Transport. Established Chung Hwa Express Corp. as a joint venture with Chunghwa Post. Established TACT Logistics through investment transfer.

2000: Launched Canada, Australia, and New Zealand routes; Taoyuan - Guam, Taoyuan - Manila, Kaohsiung - Manila, Hakodate charter, and Taoyuan - Penang passenger flights; Frankfurt cargo flights. Established the Shanghai office in Mainland China and new branch offices in Canada, Australia, New Zealand, and Guam. Established YesTrip Travel Internet Technology Co.

2001: Inaugurated cargo flight routes to Seattle and Nashville. Made indirect investment in Xiamen International Airport Co., Ltd. Set up code-share flights with Delta Airlines. Introduced A340-300 passenger jets.

2002: Inaugurated passenger flight routes to Delhi and cargo routes to Manchester. Received approval to invest in China Cargo Airlines. Ordered 18 Airbus A330 passenger aircraft, 10 Boeing 747-400 cargo, and passenger aircraft. Rejoined the International Air Transport Association (IATA).

2003: Inaugurated the first cross-strait Spring Festival charter flight. Inaugurated charter flights to Seoul and passenger routes to Brisbane and Hanoi as well as non-stop flights to Hawaii. Inaugurated cargo flight routes to Ho Chi Minh City and Delhi. Created the Paragon Card, the highest Dynasty Flyer membership tier. Received the Outstanding Service Award from the President of R.O.C.

2004: Launched sea-air transport charter flights. Inaugurated Hiroshima passenger flights and cargo routes to Milan and Prague. Introduced three A330-300 passenger jets, two Boeing 747-400 passenger jets, and two Boeing 747-400 freighters.

2005: Flew the first direct charter flights to Beijing and Spring Festival charters to Guangzhou and Shanghai. Inaugurated Vienna passenger flight route and Nagoya and Vienna cargo flight routes. Invested in China Aircraft Services Limited.

- 2006: Inaugurated cargo flight routes to Osaka, Hanoi, Houston and Stockholm. Flew the first cargo charter flight to Shanghai. Invested in Yangtze River Express Airlines Company. Began construction on the Taoyuan International Airport Airline Business Operation Center.
- 2007: Signed a letter of intent to purchase Airbus planes. Announced a contract with AccorHotels for a new airport hotel. Inaugurated regularly scheduled passenger flights between Kaohsiung and Chiang Mai.
- 2008: Launched cross-strait humanitarian charter flights direct to Chengdu to deliver disaster relief supplies at no charge. Inaugurated cross-strait holiday charter flights, weekend charter flights to Shanghai, Beijing, Xiamen, and Guangzhou, and cross-strait direct cargo charter flights.
- 2009: Inaugurated the Taoyuan-Osaka-Los Angeles cargo flight route. Inaugurated scheduled cross-strait flights to Zhengzhou, Xiamen, Xi'an, Ningbo, Shenyang, and Changsha. Became an official member of IATA's e-Freight program. Inaugurated Taiwan's largest 120,000-pound power plant testing platform.
- 2010: New routes opened: Passenger routes between Taoyuan and Miyazaki, London, and Qingdao, Songshan Airport to Hongqiao and Haneda, and Kaohsiung to Xiamen and Narita, direct cargo flights to Xiamen, Nanjing and Fuzhou as well as special cargo charter flights directly to Xi'an. Established Company headquarters in China Airlines Park and won the National Building Golden Award and National First Award.
- 2011: New routes opened: Taoyuan - Brisbane - Auckland; Taoyuan - Osaka - New York; flights to and from Taoyuan and Wuhan, Sanya, Yancheng, Haikou, Nanchang, and Dalian; Taicheng to Chongqing and Nanchang; Kaohsiung to Changsha, Chongqing, Beijing, and Kuala Lumpur. Officially joined SkyTeam, becoming the first Taiwanese airline member of an international airline alliance.
- 2012: New routes opened: Songshan to Wenzhou and Gimpo Airport, Taoyuan to Kagoshima, Shizuoka and Toyama, added Auckland leg to the Taoyuan-Sydney route, and Taoyuan to Seoul and Yangon. Joined the SkyTeam Cargo, becoming the first Taiwanese airline to join an international air cargo alliance. Renovated the cabins of nine Boeing 747-400 passenger jets to install new cabin seats and video systems. Signed a Memorandum of Strategic Cooperation with Chunghwa Telecom. Signed an OnPoint Fuel & Carbon Solutions Agreement with GE Aviation. Was awarded *Business Next* magazine's Super Green Jury Award and obtained First Place in the Green Brand Awards 2012 Transportation Category, Gold Award in *Reader's Digest* Trusted Brands 2012, the Sports Activists Award from Sports Affairs Council, First Place in *Management* magazine's Consumer Brand Survey, and the 2012 Energy Conservation and Carbon Reduction Action Label Excellence Award. The China Airlines Maintenance Facility received ISO 14001 Environmental Management System Certification. Launched the world's first trans-Pacific climate observation aircraft. Became the world's first airline to display carbon footprint and calories for in-flight meals.
- 2013: Formed Greater China Connection Partnership with China Southern, China Eastern and Xiamen Airlines. Launched code-sharing services with Russia's Transaero Airlines and Hawaiian Airlines, and expanded code-sharing services with China Southern Airlines. Launched Taoyuan - Takamatsu route, Chiayi - Shizuoka charter flights, Taoyuan - Hawaii direct flights, Taoyuan - Urumqi and Lijiang routes. Launched Taoyuan-Ishigaki, Tainan - Hong Kong, and Taoyuan - Busan routes as well as Songshan - Matsuyama charter flights. Launched the Taoyuan - Nanjing-Zhengzhou cargo route and Taoyuan - Weihai flights. Launched temperature-controlled product cargo services. Once again, CAL was awarded *Business Next* magazine's Super Green Jury Award and First Place in the Green Brand Awards 2013 Transportation Category. Was awarded Top Aviation Brand in *Manager Today's* Power Brands Survey 2013 and *Reader's Digest* Trusted Brands Gold Award. Won the National Standardization Awards' Corporate Standardization Award, 3rd Taiwan Green Classics Award, Global Views Service Excellence Award 2013, and EPA's 22nd Business Environmental Award.
- 2014: Was awarded the EPA's 23rd Business Environmental Award and the International Green Classics Award 2014; earned ISO 14001 Environmental Management System Expansion Certification and ISO 50001 Energy Management System Setup Certification. Once again, CAL was awarded *Business Next* magazine's Super Green Jury Award and earned First Place in the Green Brand Awards Transportation Category for the third time. Inaugurated the Songshan - Fuzhou and Taoyuan to Changchun, Hefei, Yantai, and Xuzhou routes. Won the Annual Best of Design Awards in the 2014 Golden Pin Design Award for our NextGen 777 aircraft cabin design and was named the Best Airline in North Asia by Global Traveler.
- 2015: Launched flights from Taoyuan - Wuxi; Kaohsiung to Changzhou, Kumamoto, and Fukuoka; Taoyuan - Melbourne with an extension to Christchurch; and Tainan - Osaka. Launched social media customer services, a first for Taiwan. Established an airplane maintenance training center. Received the following awards:
- Brand Service:
 - CAA 2014 Golden Wing Awards, second place in TheDesignAir Global Passenger Choice Top 10 Airlines Awards 2015, *Reader's Digest* Trusted Brands Gold Award, and three top awards in the Global Traveler reader survey.
 - Corporate Social Responsibility:
 - TCSA Taiwan Corporate Sustainability Award, EPA's Business Environmental Awards.
 - Product Design:
 - The NextGen 777-300ER passenger cabin design was awarded the Red Dot Design Award 2015. Family Couch design received the Global Traveler Leisure Travel Innovation Excellence Award and

won the National Industry Innovation Award for NexGen Aesthetics.

- Others:
Centers for Disease Control Epidemic Prevention Award 2015.

2016: Launched the Taoyuan - Yangzhou route and Taoyuan - Shenzhen cargo route. Inaugurated Chinese passenger transit through Taiwan for outbound China Airlines flights. Increased free baggage allowance by 10 kg and reduced regional excess baggage charges. Took delivery of the first A350 airliner for any Taiwanese carrier. Completed the Air Passenger Transport Service-Product Carbon Footprint Category Regulations together with the Civil Aeronautics Administration. Received the following awards:

- Brand Service:
PAX International magazine reader survey's 2016 Outstanding Food Service by a Carrier, Best Premium Economy and Best Airline by *Global Traveler*; China Airlines *Dynasty* In-flight Magazine won the APEX Award of Excellence; the CAL website was named the 2016 Best Airline Website by WebAward.

- Corporate Social Responsibility:
Passed the third-party audits for ISO 14001 and ISO 50001 Environmental Management Systems. Received the IOSA flight safety certification and the TCSA Taiwan Corporate Sustainability Award. Selected as a Dow Jones Sustainability Indices constituent stock, the first such honor for a Taiwanese company and emerging market airline.

- Product Design:
Received 5 iF Design Awards for the Boeing 777-300ER passenger cabin, software user interface, tableware design, Sky Lounge design packaging, and Taiwan Taoyuan Airport Terminal 1 Lounge. A double win at TheDesignAir Awards 2016.

2017: Inaugurated the Taoyuan - London route, becoming the only airline in Taiwan to offer nonstop services to London. Partnered with Air France on a codeshare nonstop flight from Taoyuan to Paris. Added codeshares on Taiwan - Japan routes with Air Japan. Signed a memorandum of cooperation with KLM. Signed an agreement to enhance cooperation with American Airlines. Signed a letter of intent with Airbus, comprehensively strengthening cooperation on maintenance. Established a joint venture in Taoyuan with NORDAM Aerospace (USA) as "NORDAM Asia Ltd." with both parties cooperating to drive business investment and training of aerospace maintenance personnel. Signed a memorandum of cooperation with Changgeng Hospital in Linkou for air medical treatment. Obtained AS 9110 Airbus certification for the maintenance facility. Transported Taiwanese satellites to the US on four occasions. Hosted the 2017 AAPA annual conference to empower development in the Asia-Pacific airline industry. Provided the second A330-300 to work on plans for greenhouse gas monitoring and testing in the Pacific. Signed the Buckingham Palace Declaration against illegal wildlife shipments. Used sustainable

alternative fuels and set a milestone in carbon reduction among Taiwanese airlines. Received many awards as follows:

- Brand Service:
Excellence in Global Airline Cargo Service award. *Cheers* magazine's 2017 TOP 20 Most Influential Enterprises of the New Era. Was awarded the Gold Medal for reputation by *Reader's Digest* for the 19th consecutive year. Was awarded the 2017 *Global Vision* magazine five-star service rating. Remained on top as *Global Traveler's* Best Airline in Northeast Asia.

- Corporate Social Responsibility:
Won the Taiwan Top 50 Enterprises Sustainability Report Gold Medal for Cargo Division, Climate Leader Award, and Harmony with Society award. Was selected for the Dow Jones Sustainability Index for the second consecutive year.

2018: A new US destination Taoyuan - Ontario, California, route formally went into operation. Served as one of the ten major members in the IATA Nominating Committee in 2018. Launched Kaohsiung - Hong Kong - Jakarta and Taoyuan - Chongqing passenger transportation routes. Developed the cargo transport destination in Columbus, Ohio, United States. Joined hands with Japan Airlines in developing new destinations for Japan's inland routes, including Sapporo - Niigata, Sapporo - Hanamaki, Fukuoka - Miyazaki, Fukuoka - Hanamaki, Fukuoka - Amami, Kagoshima - Amami, and Kagoshima - Tokunoshima.

- Brand Service:
Selected as *Cheers* magazine's "2018 Top 20 Employers of the New Generation". China Airlines' in-flight magazine *Dynasty* received the 2018 APEX Awards for Publication Excellence in the US.

- Corporate Governance:
Ranked among the top 5% in the 4th Corporate Governance Review.

- Corporate Social Responsibility:
China Airlines Group donated NT\$10 million in disaster relief for the Hualien earthquake. The second airline worldwide to be certified by dual systems, ISO 14001 and ISO 50001, maintaining the highest standards for environmental risk management. AL Park was awarded the Diamond Level of Green Building Label, with an annual electricity savings of 23,000 kWh. Cooperated with ClimateCare, a British professional environmental facility, to launch the "ECO Travel" carbon exchange program. Was selected as a constituent stock in the Dow Jones Sustainability Index (DJSI). Was awarded the Taiwan Corporate Sustainability Award.

- Product Design:
OBH Magazine awarded CAL the "Best Premium Economy Class Amenities Kit" for Onboard Hospitality.

2019: Flight additions on the Taoyuan - Palau route. Developed cargo transport destination in Nagoya, Japan. Signed a letter of intent with Chung Yuan Christian University to jointly develop aviation

talents. Approved by the US Transportation Security Administration to join the precheck program. More evolution in digital services: non-stop, 24-hour automated customer service.

- **Brand Service:**
Won the APEX 5-Star Award. The first cold-chain transportation of pharmaceuticals in Taiwan for international certification.
- **Corporate Governance:**
Placed in the top 5% of the Corporate Governance Ranking once again.
- **Corporate Social Responsibility:**
Evaluated as a role-model company for global airlines by the International Carbon Disclosure Project. Was selected as a constituent stock in the "TW ESG Index" for the first time. Was selected as a constituent stock in the DJSI for the fourth consecutive year. Was selected for the Global Corporate Sustainability Awards for the first time and presented with TCSA for the sixth consecutive year.

2020: Provided non-stop, 24-hour automated customer service. Implemented an online check-in service for all tourists since June 22 in response to pandemic prevention. Met with a delegation headed by the President of the Senate of the Czech Republic to foster greater economy and trade between Taiwan and the Czech Republic. Carried out a beach clean-up activity in Guanyin shore in response to the beach cleaning promotion by the Taoyuan Government. Aircraft livery was showcased on the new 2021 calendar to demonstrate the beauty of Taiwan. The first 777F cargo aircraft entered service. The various awards were received:

- "The Best Entry Outside of the U.S." award at the 131st Rose Parade in 2020 for the second consecutive year.
- Ranked world's No.3 Carrier for sustainability by DJSI.
- Won the award for the seventh consecutive year at the "Oscars" of Taiwan corporate sustainability.
- "What Travel Brings You" China Airlines commercial won CLIO Awards and the recognition of New York Festival.
- Won the special prize and the first procurement prize in 2020 Buying Power Social Innovation Products and Services held by MOEA.
- Won the 2020 Air Cargo Executive of the Year Award.

2021: Mr. Kao, Shing-Hwang assumed the position of President of China Airlines on March 18. The first tour of Taiwan-Palau travel bubble flight departed on April 1, and the President of Palau, Mr. Surangel Whipps Jr., also took the flight to celebrate. China Airlines is the only carrier in Taiwan to be certified by the IATA Center of Excellence for Independent Validators in Pharmaceutical Logistics (CEIV Pharma) for temperature-controlled cold chain logistics, launching COVID-19 vaccine and

ultra-low temperature delivery services.

China Airlines' first A321neo was delivered on November 29, featuring an ultra-advanced and comfortable cabin and a new fleet that emphasizes zero-contact service and high-level standard for pandemic prevention, allowing passengers to fly with peace of mind.

The various awards we received:

- Won the "Silver Class" rating in the airline industry from the Sustainability Yearbook 2022.
- Won the first place in the "International and Cross-Strait Routes - Full Service Airline Category" from CAA Golden Wing Awards on March 25.
- Won the Global Traveler Best Airline in North Asia and the APEX 5-Star Award.
- Won Corporate COVID-19 Strike Alliance - Gold Award from the TIVS.
- Won the Global Corporate Sustainability Awards (GCSA), and Taiwan Corporate Sustainability Awards (TCSA) for eight consecutive years, demonstrating our contribution to corporate sustainability.

2022: Launch the Taipei-Cebu route, which will be the second regular destination of China Airlines in the Philippines. Participated in the "Pikachu Jet" promoted by the Pokémon Company to launch the Pikachu Jet. Ordered 16 units of 787-9 passenger planes to be fully ready for the post-pandemic period. In response to extreme weather, China Airlines has become the only operator in Taiwan's transportation industry to release the independent TCFD report, took the lead in signing the corporate "Forest and Biodiversity Conservation Commitment", and declared hundred eco-friendly actions to be demonstrated in the launch of flights which have won various awards:

- Consecutive 2nd place award, Aviation Industry Silver Award, in the 2022 edition of the Sustainability Yearbook of S&P Global.
- Won the APEX Five-Star Award for airlines for 7 consecutive years.
- The highest honor of the Enterprise Environmental Protection Award.
- The Best Airline in North Asia by the Global Traveler of the US.
- The DJSI assessment awarded China Airlines top marks in the environmental and social aspects for seven consecutive years.
- The National Sustainable Development Awards to set a benchmark of sustainability in the aviation industry.

Corporate Governance Report

3.1 Organization

3.2 Directors and Management Team

3.3 Implementation of Corporate Governance

**3.4 Information Pertaining to the Company's Audit Fee
and Independence**

3.5 Replacement of CPA

3.6 Audit Independence

**3.7 Changes in Shareholding of Directors, Managers, and
Major Shareholders**

3.8 Relationships among the Top Ten Shareholders

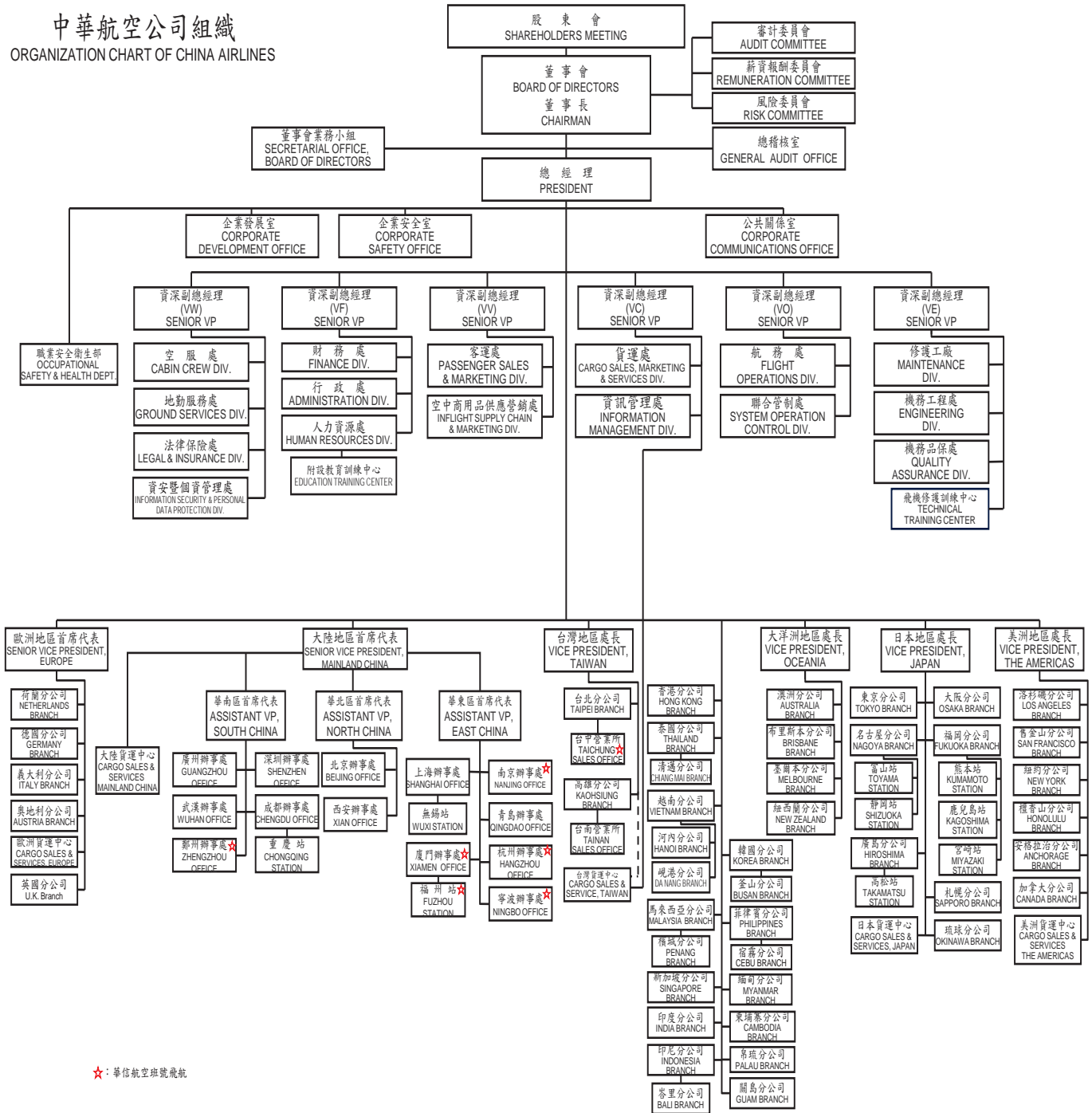
3.9 Ownership of Shares in Affiliated Enterprises

III. Corporate Governance Report

3.1 Organization

3.1.1 Organizational Chart (APR 2, 2023)

中華航空公司組織
ORGANIZATION CHART OF CHINA AIRLINES



★：華信航空班機飛航

3.1.2 Major Corporate Functions

Department	Functions
General Audit Office	Responsible for auditing the internal control system, results of implementation of the annual business plan.
Secretarial Office, Board Of Directors	Responsible for (1) holding Board of Directors meetings, (2) collating and sending meeting proceedings, (3) overseeing matters relating to resolutions, coordination channels with general public stockholders, (4) dealing with matters related to juridical person shareholder representatives, director communications and services, and (5) budgeting and controls for the Board and all functional committees.
Corporate Development Office	Responsible for (1) drafting the Company's medium- and long-term strategic operating plan, fleet plan, and annual business plan; (2) securing traffic rights and participation in commercial aviation organizations, as well as establishing codeshare partnerships; (3) establishing brand position and development strategies; (4) planning medium- and long-term design and development of passenger cabins and entertainment systems; and (5) purchasing, selling, and leasing of aircraft.
Corporate Safety Office	(1) Formulates Company safety, security, quality assurance, environmental, and emergency response policies and systems; (2) establishes related management systems and conducts educational training; (3) implements related investigations, analysis, and audits; and (4) coordinates with government agencies and civil aviation authorities, manufacturers, and groups to deal with Company safety, security, quality assurance, environmental, and emergency response-related issues.
Corporate Communications Office	Responsible for (1) external Company communications, such as communication links with the legislature and the media, planning social welfare activities, sponsoring charitable activities, (2) organizing inaugural flights and other holiday or celebratory activities, (3) publishing <i>CAL Park</i> Magazine, supervising and coordinating publication of <i>Dynasty</i> Magazine, and (4) formulating the Company's brand image and advertising strategy.
Legal & Insurance Div.	Responsible for (1) reviewing all outside agreements and contracts, (2) handling litigation, and (3) management of insurance matters for Company assets, such as the fleet and aeronautical parts, personnel as well as passenger and cargo transportation.
Finance Div.	Responsible for (1) planning financing sources, (2) managing use of funds, (3) controlling the budget, (4) auditing accounts receivable and payable items, (5) preparing financial statements, (6) managing tax-related issues, (7) fuel purchasing, (8) providing accounting and cost-analysis information; and (9) supervising operational performance and management of invested enterprises.
Administration Div.	Responsible for (1) procurement of general goods, (2) managing renovation projects and land/real estate, (3) land transport management and vehicle maintenance, (4) handling company licenses, monitoring and safekeeping of Company seals, (5) dispatchment of official documents and handling receipt of prospectuses, and (6) document management.
Cabin Crew Div.	Responsible for (1) establishing cabin crew operating standards, (2) managing training of cabin crew, (3) planning for cabin crew manpower needs, and (4) implementing

Department	Functions
	assignments of cabin crew personnel.
Ground Services Div.	Responsible for (1) establishing ground services operating standards, (2) development of the ground services operating system, (3) planning and implementation of a full range of ground services training, (4) supervising ground services operations at all stations, (5) providing ground services at Taiwan Taoyuan and Songshan Airports, and (6) overall management of ground service provider contracts.
In-Flight Supply Chain & Marketing Div.	Responsible for (1) research and development in the marketing and planning of various in-flight service supplies and products for sale, (2) planning and supply management of meals and beverages in all flights of the entire route, (3) supervising and controlling the logistics and supply management, such as the purchasing, warehousing, preparation, and loading of various in-flight service supplies; and (4) working on improving the quality of in-flight service products based on customer feedback and market trends.
Information Security & Personal Data Protection Div.	To maintain the effectiveness of ISMS (Information Security Management System), PIMS (Personal Information Management System), and ISO 9001 QMS (Quality Management System for passenger/cargo services and flight operations). To ensure the procedures required for ISMS, PIMS and ISO 9001 QMS being established, implemented and maintained. To plan and carry out top management review for ISMS, PIMS and QMS at a planned intervals.
Passenger Sales & Marketing Div.	Responsible for (1) supervising passenger transport network planning and route management of the entire network, namely, seat control, business promotion, digital marketing, membership marketing and inter-airline cooperation, cross-industry collaboration, determination of passenger transport rates and various quotas, performance evaluation, and (2) developing and maintaining revenue management systems and passenger transport business trainings at all levels.
Information Management Div.	Combines information technology with business knowledge to promote computerization within the Company to upgrade operational competitiveness.
Human Resources Div.	Responsible for (1) planning the Company organization and human resources, (2) the establishment of a personnel management system, and (3) setting up pay standards. Provides recruitment services, supervises personnel management, and establishes employee training system. Oversees future updates, provides employees with health management, and manages personnel assignments to associated enterprises.
Occupational Safety & Health Dept.	(1) Prepares the Company's Occupational Health and Safety Manual and regulations, (2) drafts, plans, supervises, and promotes health and safety matters, and (3) guides their implementation in relevant departments to prevent occupational hazards and ensure employee health and safety. Received ISO45001:2018 and CNS45001:2018 occupational health and safety certification following SGS audit to effectively control occupational incident risk and improve occupational health and safety performance.
Cargo Sales, Marketing	(1) Formulates the cargo development strategy, (2) supervises cargo operations on all

Department	Functions
& Services Div.	routes, (3) plans the cargo flight timetable and controls allocation of hold space, (4) sets cargo shipping rates and sales quotas, (5) evaluates operating performance, drafts and oversees cargo services and operating standards, and (6) is responsible for passenger and cargo plane loading control operations, cargo equipment controls and replenishment, Taipei cargo terminal operations, and accounting for the Cargo Sales, Marketing & Services Division and Taiwan Cargo Center.
Flight Operations Div.	Responsible for (1) cabin crew manpower requirement planning, (2) training and management of the cabin crew, (3) developing flight operating standards, (4) controlling fuel consumption, (5) planning and implementation of crew and flight assignments, (6) development of airplane flight manuals, and (7) the maintenance of flight simulators.
System Operation Control Div.	(1) Manages coordination of all airports in the system, (2) oversees flight status, (3) coordinates and manages adjustment of flights in response to anomalies, (4) guarantees on-time performance rates, (5) provides real-time information to aircraft in flight, (6) ensures flight safety, (7) investigates causes for major delays to flights, (8) establishes comprehensive aircraft and statistical analysis data, (9) operates and guides crew allocation, (10) plans and manages flight permits, and (11) is responsible for safety management and liability related to business.
Maintenance Div.	Responsible for (1) ensuring the maintenance of airplanes, (2) client aircraft maintenance services, (3) support and supervision of station maintenance, and (4) development of maintenance capabilities.
Engineering Div.	Responsible for (1) the planning and control of airplane maintenance, (2) materials supply management, (3) controlling the maintenance costs, sale or return of aircraft and (4) planning the information system development strategy.
Quality Assurance Div.	Responsible for (1) the coordination and communication with other countries' civil aviation authorities, (2) maintaining the validity of operating standards, repair facility licenses, and aircraft airworthiness certificates, (3) authorization and management of maintenance personnel training and task assignments, (4) the formulation and implementation of quality audit system, (5) the establishment and implementation of aircraft quality management and on-site inspection systems, (6) ensuring the introduction of new aircraft as stipulated in the fleet plan, and (7) assistance in aircraft incident investigations.
Technical Training Center	Develops type training and license conversion training that comply with CAA 05-02A requirements. Compose training plan and execute training in accordance with EMO (Engineering & Maintenance Organization) demands and customer requests.
Branch offices	Responsible for the development of individual branches and the promotion of passenger and freight-related operations.

3.2 Directors and Management Team

3.2.1 Directors

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Title	Name	Nationality / Country of Origin	Nationality / Country of Origin	Age	Gender & Age	Date First Elected	Date Elected	Term (Years)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Executives, Directors, or Supervisors Who Are Spouses or within Two Degrees of Kinship			Remark
									Shares	%	Shares	%	Shares	%	Shares	%			Shares	%	Title	
Chairman	China Aviation Development Foundation	R.O.C.		-		1988/07/07	2021/08/12	3	1,867,341,935	32.56%	1,867,341,935	31.05%	-	-	-	-	-	-	-	-	-	-
	Representative: Hsieh, Su-Chien	R.O.C.		72	Male	2016/07/06	2021/08/12	3	48,517	0.00%	48,517	0.00%	0	0.00%	0	0.00%	Chairman, Taiwan Air Cargo Terminal Ltd. Senior Vice President, China Airlines Ltd. Director, Taiwan Region and General Manager of Taipei Branch Office, China Airlines Ltd. General Manager, Australia Branch Office, China Airlines Ltd. General Manager, Indonesia Branch Office, China Airlines Ltd. General Manager, Kaohsiung Branch Office, China Airlines Ltd. Vice President, Passenger Sales Div. Chairman, Abacus Distribution Systems Taiwan Ltd. Bachelor's Degree, Department of Economics, Soochow University	Chairman, CAL Park Co., Ltd. Chairman, CAL Hotel Co., Ltd. Chairman, CAL-Asia Investment Inc. Chairman, CAL-Dynasty International, inc.	None	None	None	None
Director	China Aviation Development Foundation	R.O.C.		-		1988/07/07	2021/08/12	3	1,867,341,935	32.56%	1,867,341,935	31.05%	-	-	-	-	-	-	-	-	-	-
	Representative: Kao, Shing-Hwang	R.O.C.		62	Male	2021/03/11	2021/08/12	3	62,809	0.00%	62,809	0.00%	0	0.00%	0	0.00%	Senior Vice President (VO). Vice President, Flight Operations Div. Assistant Vice President, Flight Operations Div. Bachelor's Degree, National Cheng Kung University	President, China Airlines Ltd. Chairman, Mandarin Airlines, Ltd. Director, CAL Hotel Co., Ltd. Director, CAL-Asia Investment Inc. Director and President, CAL Park Co., Ltd. Director, CAL-Dynasty International, inc. Director, Dynasty Properties Co., Ltd.	None	None	None	Note1

Title	Name	Nationality /Country of Origin	Gender & Age	Date First Elected	Term (Years)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Executives, Directors, or Supervisors Who Are Spouses or within Two Degrees of Kinship			Remark	
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship		
	Representative: Chen, Charles C.Y.	R.O.C.	Male 61	2000/07/01	3	190,166	0.00%	190,166	0.00%	155,849	0.00%	0	0.00%	Director, Wan Hai Lines Ltd. Chairman, UTAC Group, Singapore Chairman, Epistar Corp. Director, Formosa International Hotels Ltd. Director, Ascendas Pte. Ltd. Director, Ichia Technologies, Inc. Adjunct Associate Professor, National Tsing Hua University MBA, New York University, U.S.A.	Chairman, Eyon Holding Group Vice Chairman, Taiwan Air Cargo Terminal Ltd. Vice Chairman, Taian Insurance Co., Ltd. Board Director, Shihlin Paper Corporation Chairman, Wan Hai International Pte. Ltd. Vice Chairman, Wan Hai Lines (Singapore) Pte Ltd. President, Chen-Yung Foundation	None	None	None	None	
	Representative: Ting, Kwang-Hung	R.O.C.	Male 50	2008/01/28	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Chairman, Central Trading & Development Corp. BA in Finance, Boston University, U.S.A.	Group Chairman, Phu My Hung Holdings Group	None	None	None	None	
	Representative: Chen, Han-Ming	R.O.C.	Male 44	2016/07/26	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Director, Yuan-Chin Development Co., Ltd. Member, Rotary Club of Taipei Tunhua BA (Hons) Architecture, University of Plymouth, UK MSc, Birmingham City University, UK	Chairman, Tigerair Taiwan Co., Ltd Chairman, Prime Development Co., Ltd. Director, Chyn-Tay Bearing Co., Ltd.	None	None	None	None	
	Representative: Wei, Yung-Yeh	R.O.C.	Male 59	2018/06/27	3	3,737	0.00%	3,737	0.00%	0	0.00%	0	0.00%	Jet Airplane Maintenance Group, Air Force Technical School	Member of Council, China Airlines Employees Union Foreman, Line Maintenance Department, Engineering & Maintenance Division, China Airlines	None	None	None	Note1	
	Representative: Chen, Maun-Jen	R.O.C.	Male 72	2021/08/12	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	President, Taiwan Golf & Country Club Chairman's Assistant, GSK Corporation Sales Director, Chin Fong Machine Industrial Co., Ltd. MBA, Tulane University, U.S.A.	Chairman, Hi Safe Technologies Co., Ltd. Chairman, EMPRO environment co. Ltd.	None	None	None	None	
	Representative: Chao, Kang	R.O.C.	Male 64	2021/08/12	3	61,361	0.00%	61,361	0.00%	0	0.00%	0	0.00%	Cabin crew, China Airlines Ltd. Bachelor's degree in Public Finance, Feng Chia University	Member of Council, China Airlines Employees Union	None	None	None	Note1	
Director	National Development Fund Executive Yuan	R.O.C.	-	2012/06/15	3	519,750,519	9.06%	519,750,519	8.64%	-	-	-	-	-	-	-	-	-	-	-

Title	Name	Nationality / Country of Origin	Gender & Age	Date First Elected	Term (Years)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Executives, Directors, or Supervisors Who Are Spouses or within Two Degrees of Kinship			Remark
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
	Representative: Wang, Shih-Szu	R.O.C	Female 55	2018/06/27	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Deputy Mayor, Tainan City Government Director General, Tourism Bureau of Tainan City Government Chairperson, Research, Development and Evaluation Commission of Tainan City Government Director General, Ketagalan Foundation Director General, Information Department of Kaohsiung City Government Director General, Judicial Reform Foundation Director General, Taiwan Association for Human Rights Master's Degree, International Development Policy, Duke University, U.S.A.	Political Deputy Minister, Ministry of Culture	None	None	None	None
	Representative: Chang, Hui-Chuan	R.O.C	Female 56	2022/05/20	2 year 3 month	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Director General, Department of Overall Planning, National Development Council Executive Director, Regulatory Reform Center, National Development Council (previously, Center for Economic Deregulation and Innovation, Council of Economic Planning and Development) Deputy Director, Dept. of Supervision and Evaluation, Council of Economic Planning and Development Senior Specialist, Office of Director General, & Deputy Director, Industrial Policy Division & Knowledge Services Division, Industrial Development Bureau, MOEA Researcher & Specialist, Industrial Development and Investment Center, Ministry of Economic Affairs (MOEA) MA, Conference Interpretation and Translation, Monterey Institute of International Studies, California, U.S.A. Bachelor, Dept. of Foreign Languages and Literature, National Taiwan University	Director, TaiMed Biologics Inc.	None	None	None	None

Title	Name	Nationality / Country of Origin	Gender & Age	Date First Elected	Term (Years)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Executives, Directors, or Supervisors Who Are Spouses or within Two Degrees of Kinship			Remark
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Independent Director	Chang, Hsieh-Gen-Sen	R.O.C.	Female 66	2018/06/27	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Consultant, Legislative Council Office Director, Shian CPA Firm Adjunct Associate Professor, Chinese Culture University Controller, Amagic Holographics, Inc. Senior Associate CPA, Wu, Liang, and Huang CPAs Staff Accountant, AAA (Auto Club of S. California) MBA, University of California, Irvine, U.S.A.	Chairman, Risk Committee, China Airlines Ltd Member, Foundation Management Committee, Environmental Protection Administration Independent Director, K Laser Technology Inc.	None	None	None	None
Independent Director	Huang, Hsieh-Hsing	R.O.C.	Male 62	2021/08/12	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	HQ President and Founder, Chungsun Prime Certified Public Accountants Chairman, Taiwan Provincial CPA Association Director, Accounting Research and Development Foundation Member, CPA Discipline Committee of Financial Supervisory Commission New Taipei City Tax Agent Association Chairman, Director, National Federation of CPA Associations of the R.O.C. Vice Chairman, Taxation and Tariff Committee Chairman, Think Tank Committee Master of Law, College of Law of National Chengchi University Master of Business Management, National Sun Yat-sen University	Chairman, Audit Committee, China Airlines Ltd HQ, President and Founder, Chungsun Prime Certified Public Accountants Honorary director, Taiwan Provincial CPA Association Independent director, TECO Electric and Machinery Co., Ltd.	None	None	None	None
Independent Director	Hwang, Chin-Yeong	R.O.C.	Male 65	2021/08/12	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	President, Digitimes Inc. & President, Digitimes Director, Monte Jade Science and Technology Association Adjunct Professor, National Chiao Tung University Corporate Representative Director from the Ministry of Economic Affairs, Taiwan External Trade Development Council's 19 th term Board of Directors Director, Taoyuan International Airport Corporation Director, China Aviation Development Foundation Master of Administration, Wonkwang University	Chairman, Compensation committee, China Airlines Ltd President, Digitimes Inc. & President, Digitimes Director, Monte Jade Science and Technology Association Independent Director, Alltek Technology Corp. Chairman, IC Broadcasting Company Limited Adjunct Professor for National Taiwan University, National Chiao Tung University and Feng Chia University	None	None	None	None

Note 1: In order to avoid the concurrent appointment from influencing the objectivity and supervision of the Board of Directors, with the exception for President Kao, Shing-Hwang, Director Wei, Yung-Yeh and Director Chao, Kang, who are concurrently Directors and employees, none of the other members of the 22nd Board of Directors are concurrently employees of the Company.

Note 2: The average term of members of the 22nd Board of Directors as Directors of the Company was 6.8 years.

Note 3: The three independent directors of the 22nd Board of Directors have not been appointed for more than three terms.

Major Shareholders Among Institutional Shareholders

Name of Institutional Shareholders	Major Shareholders
China Aviation Development Foundation	A non-corporate organization. In February 1988, all 27 shareholders of the Company (Note) gifted the shares held and 100% of the shareholders' equity to set up the foundation, which was reported to the Ministry of Transportation and Communications on March 2 of the same year. Its establishment was approved on July 6 of the same year.
National Development Fund, Executive Yuan	Government

Note: Sourced from the "Charter for Donations to the China Aviation Development Foundation".

Donor	Donation	Amount
Wu, Yueh	10,977,697 common shares of China Airlines and the profits	NT\$2,530,666,534
Tsu, Jung-Chun	5,872,874 common shares of China Airlines and the profits	NT\$1,353,861,897
Tien, Hsi	515,938 common shares of China Airlines and the profits	NT\$118,938,155
Chang, Lin-Te	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Chang, Chih-Chen	515,938 common shares of China Airlines and the profits	NT\$118,938,155
Lan, Ping-Chuan	515,938 common shares of China Airlines and the profits	NT\$118,938,155
Fu, Jui-Yuan	515,938 common shares of China Airlines and the profits	NT\$118,938,155
Hsu, Kang-Liang	2,026 common shares of China Airlines and the profits	NT\$467,049
Shih, Kuang-Lin	2,026 common shares of China Airlines and the profits	NT\$467,049
Liu, Chiung-Kuang	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Han, Te-Hui	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Yeh, Chih-Fang	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Hung, Yang-Fu	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Liu, Ping-Kuan	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Chang, Tang-Tien	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Li, Hsueh-Yen	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Li, Chi-Tang	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Wang, Yu-Ken	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Yuan, Chin-Han	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Fan, Kuang-Hua	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Liu, Hui-Chun	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Yeh, I-Fan	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Chen, Chung-Yu	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Yang, Hung-Ting	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Tsai, Ming-Yung	222,205 common shares of China Airlines and the profits	NT\$51,224,474
Wang, Wei-Ming	515,938 common shares of China Airlines and the profits	NT\$118,938,155
Huang, Jen-Sheng	515,938 common shares of China Airlines and the profits	NT\$118,938,155
Total	23,999,880 common shares and the profits	NT\$5,532,645,517

Professional qualifications and independence analysis of directors

Name	Criteria	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years of Work Experience			Independence Criteria (Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Departments Related to the Business Needs of the Company in a Public or Private Junior College, College, or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Has Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Hsieh, Su-Chien	-	-	✓	✓	-	✓	✓	-	✓	✓	-	✓	✓	✓	✓	-	-
Kao, Shing-Hwang	-	✓	✓	-	-	✓	✓	-	✓	✓	-	✓	✓	✓	✓	-	-
Chen, Charles C.Y.	✓	-	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Ting, Kwang-Hung	-	-	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Chen, Han-Ming	-	-	✓	✓	-	✓	✓	✓	✓	✓	-	✓	✓	✓	✓	-	-
Chen, Maun-Jen	-	-	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Wei, Yung-Yeh	-	✓	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Chao, Kang	-	-	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Wang, Shih-Szu	-	-	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Chang, Hui-Chuan	-	-	✓	✓	-	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	-	-
Huang, Hsieh-Hsing	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Chang, Hsieh Gen-Sen	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Hwang, Chin-Yeong	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note: Cells are ticked in the corresponding locations that apply to the directors or supervisors during the two years prior to being elected or during their term in office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or its affiliated enterprise (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such, the Company and its parent company, its subsidiary, or a subsidiary of the same parent).
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the managers listed in (1) or the personnel listed in (2) or (3).
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total shares issued by the Company, is among the top five shareholders, or appointed a representative to be a director or supervisor of the Company in accordance with Article 27, Paragraph 1 or 2 of the Company Act (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such, the Company and its parent company, its subsidiary, or a subsidiary of the same parent).
6. Not a director, supervisor, or employee of another company controlled by the same person who holds more than half of the Company's director seats or voting shares (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such, the Company and its parent company, its subsidiary, or a subsidiary of the same parent).
7. Not a director, supervisor, or employee of another company or institution with the same person or spouse as the chairman, general manager, or equivalent of the company (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such, the Company and its parent company, its subsidiary or a subsidiary of the same parent).
8. Not a director, supervisor, manager, or shareholder holding more than 5% of shares of a specific company or institution that has financial or business dealings with the Company (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such, the Company and its parent company, its subsidiary or a subsidiary of the same parent and if the specific company or institution holds more than 20% but less than 50% of the total issued shares of the Company).
9. Not a professional who provides auditing-related services to the Company or its affiliates and who does not provide commercial, legal, financial, or accounting-related services to the Company or its affiliates with a cumulative amount of remuneration obtained in the last two years exceeding NT\$500,000; and is not an owner, partner, director, supervisor, manager, or the spouse of any of the aforementioned of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliates. However, this does not apply to the members of the Remuneration Committee, the Special Committee for Merger/consolidation and Acquisition who perform their functions and powers in accordance with relevant laws and regulations of the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
10. Not having a marital relationship or a relative within the second degree of kinship to any other director of the Company.
11. Not being a person of any conditions defined in Article 30 of the Company Act.
12. Not a governmental, juridical person, or its representative as defined in Article 27 of the Company Act.

3.2.2 Management Team

APR 2, 2023

Title	Name	Nationality /Country of Origin	Gender	Effective Date	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Managers Who Are Spouses or Within Two Degrees of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
President	Kao, Shing-Hwang	R.O.C.	Male	2021/03/18	62,809	0.00%	0	0.00%	0	0.00%	Senior Vice President (VO). Vice President, Flight Operations Div. Assistant Vice President, Flight Operations Div. Bachelor's Degree, National Cheng Kung University	Chairman, Mandarin Airlines, Ltd. Director, Cal Hotel Co., Ltd. Director, CAL-Dynasty International, Inc. Director, Dynasty Properties Co., Ltd. Director, CAL-Asia Investment Inc. Director & President, Cal Co., Ltd.	None	None	None	Note 1
Auditor General, General Audit Office	Fang, Juo-Ling	R.O.C.	Female	2018/05/11	8,000	0.00%	0	0.00%	0	0.00%	Vice President, Administration Div. Deputy Auditor General, General Audit Office Master's Degree, Georgia State University, U.S.A.	Supervisor, Taiwan Airport Service Co., Ltd. Supervisor, China Pacific Catering Services Ltd. Supervisor, CAL Park Co., Ltd. Supervisor, CAL Hotel Co., Ltd.	None	None	None	None
Deputy Auditor General, General Audit Office	Ho, Hui-Fen	R.O.C.	Female	2018/02/01	0	0.00%	0	0.00%	0	0.00%	Assistant Vice President, Finance Div. General Manager, General Accounting Department, Finance Div. Master's Degree, Soochow University	Supervisor, Sabre Travel Network (Taiwan) Ltd. Supervisor, NORDAM Asia Ltd, Supervisor, Taiwan Aircraft Maintenance and Engineering Co., Ltd.	None	None	None	None
Senior Vice President (VE)	Sun, Jia-Min	R.O.C.	Male	2022/01/31	62,602	0.00%	0	0.00%	0	0.00%	Vice President, Maintenance Div. Vice President, Institute of Industrial Management, School of Management, National Taiwan University of Science and Technology	Chairman, Taiwan Aircraft Maintenance and Engineering Co., Ltd. Director, Mandarin Airlines, Ltd. Director, Taoyuan International Airport Services Co., Ltd. Vice Chairman, NORDAM Asia Ltd. Director, Kaohsiung Airport Catering Services Ltd.	None	None	None	None
Senior Vice President (VV)	Wang, Chen-Min	R.O.C.	Male	2019/01/01	35,621	0.00%	0	0.00%	0	0.00%	Vice President, Passenger Sales Div. & Passenger Marketing Div. General Manager, Korea Branch Bachelor's Degree, Feng Chia University	Director, CAL Hotel Co., Ltd.. Director, Mandarin Airlines, Ltd. Chairman, Taiwan Air Cargo Terminal Ltd. Director, Tigerair Taiwan Co., Ltd. Director, Taiwan Aircraft Maintenance And Engineering Co., Ltd. Director & President, CAL-Asia Investment Inc. Chairman, Taoyuan International Airport Service Co., Ltd. Director, Arport Air Terminal (Xiamen) Co., Ltd. Director, Arport Air Cargo Service (Xiamen) Co., Ltd.	None	None	None	None

Senior Vice President (VF)	Chen, I-Chieh	R.O.C.	Male	2021/03/18	6,161	0.00%	0	0.00%	0	0.00%	Vice President, Finance Div. Vice President, Investment Development & Management Div. General Manager, Vietnam Branch Concurrently, General Manager, Hanoi Branch Master's Degree, National Taipei University	Director, Mandarin Airlines, Ltd. Director, Tigerair Taiwan Co., Ltd. Director, Taoyuan International Airport Services Co., Ltd. Chairman, Kaohsiung Airport Catering Services Ltd. Director, Taiwan Aircraft Maintenance And Engineering Co., Ltd.	None	None	None	None
Senior Vice President (VO)	Lai, Ming-Hui	R.O.C.	Male	2021/03/18	19,127	0.00%	0	0.00%	0	0.00%	Vice President, Flight Operations Div. Vice President, Corporate Safety Office. Bachelor's Degree, National Cheng Kung University	Director, Mandarin Airlines, Ltd. Director, CAL Hotel Co., Ltd.	None	None	None	None
Senior Vice President (VW)	Lo, Ya-Mei	R.O.C.	Female	2022/03/15	0	0.00%	0	0.00%	0	0.00%	Special Assistant to Chairman, Chairman Office, Senior Vice President (VW), President Office Master's Degree, Department of Political Science, National Taiwan University	Director, CAL Hotel Co., Ltd. Director, Mandarin Airlines, Ltd. Director, China Pacific Catering Services Co., Ltd.	None	None	None	None
Senior Vice President (VC)	Liu, Der-Chuan	R.O.C.	Male	2023/01/16	172	0.00%	0	0.00%	0	0.00%	Vice President, Cargo Sales & Marketing Div. Vice President, Cargo Services & Logistics Div. Bachelor's Degree from Fu Jen University	Director, Taiwan Air Cargo Terminal Ltd. Director, Dynasty Aerotech International Corp. Director, Global Sky Express Ltd. Director, Eastern United International Logistics (Holdings) Ltd.	None	None	None	None
Vice President, Data Protection Officer, Cyber Security & Personal Data Protection Div.	Huang, Ta-Fang	R.O.C.	Female	2020/07/31	0	0.00%	0	0.00%	0	0.00%	General Manager, Honolulu Branch. Vice President, Legal & Insurance Div. MBA, Baruch College, City University Of New York.	None	None	None	None	None
Assistant Vice President, Chief Information Security Officer (CISO) Cyber Security & Personal Data Protection Div.	Wang, Chang Shu	R.O.C.	Male	2023/02/01	1,000	0.00%	0	0.00%	0	0.00%	General Manager, Commercial System Department Information Management Division Associate's Degree from Shih Hsin University of Law	None	None	None	None	None
Vice President, Human Resources Div.	Lee, Pei-Chen	R.O.C.	Femal	2023/02/16	13,430	0.00%	144	0.00%	0	0.00%	Assistant Vice President, Human Resources Div. General Manager, Human Resources Development Dept., Human Resources Div. General Manager, Administration Dept., Ground Services Div. Master's Degree from National Taiwan Normal University	Director, Taoyuan International Airport Services Co., Ltd. Director, Taiwan Airport Services Co. Ltd.	None	None	None	None
Assistant Vice President, Human Resources Div.	Lee, Jing-Ting	R.O.C.	Female	2023/02/16	12,685	0.00%	0	0.00%	0	0.00%	General Manager, Medical Center, Human Resources Div. General Manager, Operations Management Department, Flight Operations Division Master's Degree from Utah State University	None	None	None	None	None

Vice President, Flight Operations Div.	Chen, I-Ko	R.O.C.	Male	2021/03/20	23,541	0.00%	0	0.00%	0	0.00%	Vice President, Corporate Safety Office. Assistant Vice President, Corporate Safety Office. Associate's Degree, United College of Engineering	None	None	None	None	None
Assistant Vice President, Flight Operations Div.	Kang, Yi-Chuan	R.O.C.	Male	2020/11/01	191,000	0.00%	2,000	0.00%	0	0.00%	Assistant Vice President, Flight Operations Dep. Mandarin Airlines. General Manager, Crew Scheduling Dept., Flight Operations Div. Master's Degree, National Chiao Tung University.	None	None	None	None	None
Assistant Vice President, Flight Operations Div.	Hsiung, Shih-Ching	R.O.C.	Male	2022/03/01	1,620	0.00%	763	0.00%	0	0.00%	Lead Training Chief, General Manager, Flight Operations Training Dept., Flight Operations Div. Master's Degree, College of Management from National Taiwan University	None	None	None	None	None
Vice President, System Operation Control Div.	Chiu, Chang-Hsin	R.O.C.	Male	2022/12/01	2,049	0.00%	0	0.00%	0	0.00%	Special Assistant To President Master's Degree from Queensland, AU	None	None	None	None	None
Assistant Vice President, System Operation Control Div.	He, Cheng	R.O.C.	Male	2019/11/01	251	0.00%	0	0.00%	0	0.00%	Control Manager, Flight Control Dept., System Operation Control Div. General Manager, Bali Branch, Indonesia Branch Master's Degree, Assumption University, Thailand	None	None	None	None	None
Assistant Vice President, System Operation Control Div.	Tsai, Hsieh-Liang	R.O.C.	Male	2022/10/06	0	0.00%	0	0.00%	0	0.00%	Control Manager, Flight Control Department System Operation Control Division Associate's Degree from Nanya Institute of Technology	None	None	None	None	None
Vice President, Passenger Sales & Passenger Marketing Div.	Peng, Pao-Chu	R.O.C.	Female	2019/01/01	3,434	0.00%	0	0.00%	0	0.00%	Vice President, Corporate Development Office Assistant Vice President, Passenger Sales Div. Bachelor's Degree, National Taiwan University	Director, Sabre Travel Network (Taiwan) Ltd. Director, Everest Investment Holdings Ltd. Director, Tigerair Taiwan Co., Ltd.	None	None	None	None
Assistant Vice President, Passenger Sales & Passenger Marketing Div.	Chen, Pei-Ti	R.O.C.	Female	2018/11/01	926	0.00%	0	0.00%	0	0.00%	Assistant Vice President, Passenger Sales & Marketing Div. General Manager, Sales Management Department Bachelor's Degree, National Taiwan University	Director, Sabre Travel Network (Taiwan) Ltd.	None	None	None	None
Assistant Vice President, Passenger Sales & Marketing Div.	Hua, Te-Lin	R.O.C.	Male	2022/01/07	9,964	0.00%	4,999	0.00%	0	0.00%	General Manager, Germany Branch Marketing Director, Taiwan Master's Degree, Chiayi University Department of Business Administration	None	None	None	None	None
Vice President, Finance Div.	Wang, Wei	R.O.C.	Female	2021/03/18	33,297	0.00%	0	0.00%	0	0.00%	Assistant Vice President, Corporate Development Office. General Manager, Austria Branch. MBA, George Washington University, U.S.A.	Supervisor, Dynasty Aerotech International Corp. Supervisor, Mandarin Airlines Ltd. Supervisor, Taoyuan International Airport Services Co., Ltd. Supervisor, China Pacific Laundry Services Ltd. Supervisor, Taiwan Air Cargo Terminal Ltd.	None	None	None	None

Assistant Vice President, Finance Div.	Wang, Ching-Ting	R.O.C.	Female	2021/09/01	78,415	0.00%	0	0.00%	0	0.00%	Chief of Finance Div. Tiger Air Taiwan General Manager, Budget Control Dept. Finance Div. Master's Degree, Department of Finance, National Chung Hsing University	Supervisor, Taiwan Aircraft Maintenance and Engineer Co., Ltd. Director, Dynasty Properties Co., Ltd Supervisor, Cal Hotel Co., Ltd.	None	None	None	None
Assistant Vice President, Finance Div.	Tsai, Jiunn-Chin	R.O.C.	Male	2022/04/16	841	0.00%	0	0.00%	0	0.00%	General Manager, Cargo Audit & Control Department Finance Division Bachelor's Degree of Economics from Tamkang University	Supervisor, Global Sky Express Ltd. Supervisor, Airport Air Terminal (Xiamen) Co., Ltd. Supervisor, Airport Air Cargo Service (Xiamen) Co., Ltd.	None	None	None	None
Vice President, Corporate Safety Office	Li, Chih-Wei	R.O.C.	Male	2021/03/20	10,295	0.00%	0	0.00%	0	0.00%	Vice President, Quality Assurance Div. Assistant Vice President, Maintenance Div. Master's Degree, Kai-nan University.	None	None	None	None	None
Assistant Vice President, Corporate Safety Office	Yu, Yueh-Han	R.O.C.	Male	2018/12/06	65,523	0.00%	0	0.00%	0	0.00%	General Manager, Safety Department Corporate Safety Office Vice President of Safety, Security, Quality & Environment, Tigerair Taiwan Co., Ltd. Master's Degree, National Sun Yat-sen University	None	None	None	None	None
Assistant Vice President, Legal & Insurance Div.	Shan, Jia-Ling	R.O.C.	Female	2022/01/16	0	0.00%	0	0.00%	0	0.00%	General Manager, Legal & Insurance Div. Senior Administrator, Legal & Insurance Div. Master's Degree, McGill Air & Space Law	None	None	None	None	None
Vice President, Corporate Communications Office	Lu, Shwu-Huoy	R.O.C.	Female	2020/10/11	22,605	0.00%	0	0.00%	0	0.00%	General Manager, Malaysia Branch. Assistant Vice President, Corporate Development Office. EMBA, National Central University	None	None	None	None	None
Assistant Vice President, Corporate Communications Office	Pan, Wen-Tsung	R.O.C.	Female	2022/08/12	298	0.00%	0	0.00%	0	0.00%	General Manager, Honolulu Branch President, Dynasty Hotel of Hawaii, Inc. Master's Degree from RMIT University, AU	None	None	None	None	None
Vice President, Administration Div.	Huang, Hui-Na	R.O.C.	Female	2021/07/31	16,661	0.00%	0	0.00%	0	0.00%	Assistant Vice President, Finance Div. General Manager, Passenger Sales Revenue Audit & Control Dept., Finance Div. Master's Degree, Soochow University	Director, Dynasty Aerotech International Corp. Director, CAL Park Co., Ltd.	None	None	None	None
Company Secretary				2022/11/30												
Assistant Vice President, Administration Div.	Chen, Mei-Fen	R.O.C.	Female	2021/04/01	1,024	0.00%	0	0.00%	0	0.00%	General Manager, Office Support Dept. Administration Div. Senior Administrator, Ground Services Standard Dept., Ground Services Div. Department of English, Providence University	None	None	None	None	None
Vice President, Information Management Div.	Lu, Shih-Ming	R.O.C.	Male	2023/02/16	24,917	0.00%	0	0.00%	0	0.00%	Vice President, Human Resources Div. General Manager, Hong Kong Branch, Vice President, Information Management Div. Master's Degree from NCCU Department of Management Information Systems	Chairman, Sabre Travel Network (Taiwan) Ltd.	None	None	None	None
Assistant Vice President, Information Management Div.	Liu, Duan-Shiuh	R.O.C.	Male	2017/04/20	92,608	0.00%	0	0.00%	0	0.00%	Assistant Vice President, Ground Services Div. General Manager, Information Planning Department, Information Management Div. Master's Degree, National Taipei University of Technology	None	None	None	None	None

Vice President, Cabin Crew Div.	Chen, Chwen-Der	R.O.C.	Male	2022/03/01	6,299	0.00%	0	0.00%	0	0.00%	Assistant Vice President, Flight Operations Div. General Manager, Flight Operations Training Dept., Flight Operations Div. Master's Degree, National Cheng Chi University	Director, China Pacific Laundry Services Ltd.	None	None	None	None
Assistant Vice President, Cabin Crew Div.	Shen, Ming	R.O.C.	Female	2022/05/01	4,750	0.00%	0	0.00%	0	0.00%	General Manager, Cabin Crew Management Department Cabin Crew Division Master's Degree from RMIT University, AU	None	None	None	None	None
Assistant Vice President, Cabin Crew Div.	Tsao, Jiin-Wen	R.O.C.	Female	2022/05/01	282	0.00%	0	0.00%	0	0.00%	General Manager, Operations Management Department Flight Operations Division Master's Degree of Counseling & School Psychology from U. of Wisconsin-River Falls	None	None	None	None	None
Vice President, Corporate Development Office	Chang, Cheng-Hao	R.O.C.	Male	2019/01/21	131,905	0.00%	0	0.00%	0	0.00%	Vice President, Cargo Sales & Marketing Div. President, Taiwan Air Cargo Terminal Ltd. Master's Degree, Cranfield University, UK	Director, Tigerair Taiwan Co., Ltd. Director, Global Sky Express Ltd. Director, Taiwan Air Cargo Terminal Ltd.	None	None	None	None
Assistant Vice President, Corporate Development Office	Yeh, Jin-Fu	R.O.C.	Male	2021/03/18	134,276	0.00%	0	0.00%	0	0.00%	Assistant Vice President, Administration Div. General Manager, Fukuoka Branch. Master's Degree, National Cheng Kung University	None	None	None	None	None
Assistant Vice President, Corporate Development Office	Yen, Yang	R.O.C.	Female	2021/09/01	0	0.00%	0	0.00%	0	0.00%	Assistant Vice President, Finance Div. General Manager, Finance & Treasury Dept., Finance Div. Master's Degree, The City University of New York, U.S.A.	Supervisor, Kaohsiung Airport Catering Services Ltd. Director, Dynasty Hotel of Hawaii, Inc.	None	None	None	None
Vice President, In-Flight Service Supply Chain & Marketing Div.	Tsao, Jyh-Fen	R.O.C.	Female	2021/07/16	9,522	0.00%	1,948	0.00%	0	0.00%	President, Mandarin Airlines, Ltd. Vice President, Passenger Marketing Div. Master's Degree in Hotel Management, University of Surrey, UK	Chairman, China Pacific Laundry Services, Ltd. Director, China Pacific Catering Services Ltd. Director, Kaohsiung Airport Catering Services Ltd.	None	None	None	None
Assistant Vice President, In-Flight Service Supply Chain & Marketing Div.	Chou, Chih-Lung	R.O.C.	Male	2021/07/01	2,830	0.00%	25,000	0.00%	0	0.00%	Vice President, Engineering Div. General Manager, Supply Dept., Engineering Div. Bachelor's Degree in Business Administration, National Taiwan University	None	None	None	None	None
Assistant Vice President, In-Flight Service Supply Chain & Marketing Div.	Chen, Jo-Ching	R.O.C.	Female	2022/05/01	0	0.00%	0	0.00%	0	0.00%	President, China Pacific Catering Services Ltd. Master's Degree from Department of Urban Planning of The Univ Of Michigan	None	None	None	None	None
Vice President, Ground Services Div.	Chu, Te-Hsiu	R.O.C.	Male	2019/11/18	43,382	0.00%	8,277	0.00%	0	0.00%	Chief Representative, East China, and Concurrently General Manager, Shanghai Office Assistant Vice President, Flight Operations Div. Bachelor's Degree, Chinese Culture University	Director, China Pacific Laundry Services, Ltd Director, Taoyuan International Airport Services Co., Ltd.	None	None	None	None
Assistant Vice President, Ground Services Div.	Huang, Yuan-Yua	R.O.C.	Female	2022/04/30	43,117	0.00%	0	0.00%	0	0.00%	General Manager, The United Kingdom Branch Master's Degree from Air Transport Management of Cranfield University	None	None	None	None	None
Assistant Vice President, Ground Services Div.	Hsu, Hsueh-Wen	R.O.C.	Male	2022/02/13	13,149	0.00%	0	0.00%	0	0.00%	Station Manager, Customer Service, Taoyuan International Airport, Ground Services Div. Station Manager, Customer Service, Songshan International Airport, Ground Services Div. Bachelor's Degree, Feng Chia University	None	None	None	None	None

Assistant VP Of Project, Customer Experience & Marketing Optimization Office, Ground Services Div.	Kung, Yuan-Jau	R.O.C.	Male	2021/04/12	9,062	0.00%	0	0.00%	0	0.00%	General Manager, Xiamen Office Assistant Vice President, Passenger Marketing Division Master's Degree from Tatung University	None	None	None	None	None
Vice President, Cargo Sales, Marketing & Services Div.	Hsueh, Po-Wen	R.O.C.	Male	2023/01/16	328	0.00%	0	0.00%	0	0.00%	Assistant Vice President, Cargo Sales, Marketing & Services Div. Chief Representative, East China Concurrently, General Manager, Shanghai Office. General Manager, Cargo Sales & Services, Taiwan. Bachelor's Degree from Chinese Culture University	None	None	None	None	None
Assistant Vice President, Cargo Sales, Marketing & Services Div.	Shih, Ching-yun	R.O.C.	Male	2021/09/14	693	0.00%	0	0.00%	0	0.00%	General Manager, Cargo Sales & Services, The Americas General Manager, Cargo Sales Management Dept., Cargo Sales, Marketing & Services Div. Bachelor's Degree, Chinese Culture University	None	None	None	None	None
Assistant Vice President, Cargo Sales, Marketing & Services Div.	Wei, Chia-Hsiang	R.O.C.	Male	2021/09/14	0	0.00%	1,000	0.00%	0	0.00%	General Manager, Load Control dept. Cargo Sales Management Dept., General Manager, Flight Control Dept. System Operation Control Div. Bachelor's Degree, Vanung University	None	None	None	None	None
Vice President, Maintenance Div.	Lee, Jung-Hui	R.O.C.	Male	2022/03/16	0	0.00%	0	0.00%	0	0.00%	President, Mandarin Airlines Co., Ltd. General Manager, Line Maintenance Dept., Maintenance Div. Master's Degree, Tatung University	Director, Taiwan Aircraft Maintenance and Engineering Co., Ltd. Chairman, Dynasty Aerotech International Corp. Director, NORDAN Asia Ltd.	None	None	None	None
Assistant Vice President, Maintenance Div.	Shih, Ching-Kai	R.O.C.	Male	2021/04/06	0	0.00%	0	0.00%	0	0.00%	General Manager, Line Maintenance Dept., Maintenance Div. General Manager, Base Maintenance Dept., Maintenance Div. Bachelor's Degree, Kainan University	None	None	None	None	None
Assistant VP Of Project, 3-Bay Hangar Project Office Maintenance Div.	Lin, Pi-Wei	R.O.C.	Male	2022/02/01	0	0.00%	0	0.00%	0	0.00%	Manager Of Project, Terminal 3 Project Office, Administration Div. General Manager, Equipment & Facility Maintenance Department.	None	None	None	None	None
Vice President, Engineering Div.	Tsai, Chih-Hung	R.O.C.	Male	2021/07/01	0	0.00%	0	0.00%	0	0.00%	President, Taiwan Aircraft Maintenance and Engineering Co., Ltd. Assistant Vice President, Corporate Safety Office Master's Degree, The University of Manchester	Director, Taiwan Aircraft Maintenance and Engineering Co., Ltd. Director, HAECO Composite Structures (Linjiang) Co., Ltd. Director, Taikoo (Xiamen) Landing Gear Services Co., Ltd. Director, Dynasty Aerotech International Corp.	None	None	None	None
Assistant Vice President, Engineering Div.	Shih, Hui-Huang	R.O.C.	Male	2021/07/01	24,624	0.00%	0	0.00%	0	0.00%	General Manager, Dynasty Aerotech International Corp. General Manager, Maintenance Dept. Maintenance Div. Master's Degree from National Tsing Hua University	None	None	None	None	None

Assistant Vice President, Quality Assurance Division	Hsiao, Jui-Fu	R.O.C.	Male	2021/04/06	0	0.00%	0	0.00%	0	0.00%	Assistant Vice President, Maintenance Div. General Manager, Line Maintenance Dept., Maintenance Div. Master's Degree, Kainan University	None	None	None	None	None
Vice President, Taiwan	Lee, Yi-Chou	R.O.C.	Male	2021/12/09	323	0.00%	0	0.00%	0	0.00%	General Manager, Thailand Branch General Manager, Kaohsiung Branch Associate's degree, Aletheia University	Director, Sabre Travel Network (Taiwan) Ltd.	None	None	None	None
Vice President, Japan	Chang, Horng-Jong	R.O.C.	Male	2020/05/27	11,820	0.00%	0	0.00%	0	0.00%	Chairman, Tigerair Taiwan Co., Ltd. General Manager, Haikou Office. Doctor of Science, Washington University, St. Louis, U.S.A	None	None	None	None	None
Vice President, Mainland China	Chiu, Wei-Tuan	R.O.C.	Male	2021/06/15	0	0.00%	0	0.00%	0	0.00%	Vice President, Taiwan Assistant Vice President, Passenger Sales & Marketing Div. Bachelor's Degree, National Chung Hsing University	None	None	None	None	None
Vice President, Americas	Cheng, Yu Lin	R.O.C.	Male	2022/04/15	0	0.00%	0	0.00%	0	0.00%	Assistant Vice President, Finance Div. Associate Degree, Department of Finance, National Taipei University of Business	Director & President, CAL Dynasty International Inc. Chairman & President, Dynasty Properties Co., Ltd. Chairman, Dynasty Hotel of Hawaii, Inc.	None	None	None	None

Note1: In order to prevent the concurrent appointment from influencing the objectivity and supervision of the Board of Directors, with the exception of President Kao, Shing-Hwang, Director Wei, Yung-Yeh and Director Chao, Kang, who are concurrently Directors and employees, none of the other members of the 22nd Board of Directors are concurrently employees of the Company.

Note2: Company presidents, senior vice presidents, vice presidents, data protection officer, assistant vice presidents, and department and branch general managers have not worked for the Company's currently designated accounting firm or affiliated enterprises within the specified period and do not hold Company stock under the name of a different person.

3.2.3 Remuneration of Directors, President, and Vice President

Remuneration of Directors

Title	Name (Note 1)	Remuneration								Total Remuneration (A+B+C+D) and Ratio to Net Gain (%) (Note 8)			
		Base Compensation (A) (Note 2)		Severance Pay (B)		Bonus to Directors (C) (Note 3)		Allowances (D) (Note 4)		CAL		Consolidated Subsidiaries of CAL (Note 7)	
		CAL	Consolidated Subsidiaries of CAL (Note 7)	CAL	Consolidated Subsidiaries of CAL (Note 7)	CAL	Consolidated Subsidiaries of CAL (Note 7)	CAL	Consolidated Subsidiaries of CAL (Note 7)				
Chairman	Hsieh, Su-Chien												
Director	Kao Shing-Hwang												
Director	Chen, Charles C.Y.												
Director	Ting, Kwang-Hung												
Director	Chen, Han-Ming												
Director	Chen, Maun-Jen												
Director	Wei, Yung-Yeh												
Director	Wang, Shih-Szu												
Director	Chao, Kang												
Director	Chang, Hui-Chuan	7,460	10,512	0	0	0	0	6,648	8,542	14,108	0.49%	19,054	0.67%
Independent Director	Chang, Hsieh Gen-Sen												
Independent Director	Huang, Hsieh-Hsing												
Independent Director	Hwang, Chin-Yeong												
Juridical Person Director	National Development Fund (Executive Yuan)												
Director	Huang, Chung-Che												

1.State the policy, system, standard, and structure of independent directors' remuneration as well as the association between the remuneration amount and factors, such as responsibilities, risks, and contributed time: The remuneration of the independent directors of the Company shall be handled in accordance with the Articles of Association and shall be determined by the Board of Directors with reference to the standards among related industries and listed companies, and shall be paid as fixed remuneration, transportation fees, and attendance fees.

Note 1: Aside from independent directors, all other directors are representatives of the Company's juridical person shareholders China Aviation Development Foundation, National Development Fund (Executive Yuan). Director Huang, Chung-Che's director's remuneration is received by the National Development Foundation of the Executive Yuan. Director Huang, Chung-Che resigned as a director on May 20, 2022. Director Chang, Hui-Chuan took office as a director on May 20, 2022.

Note 2: Refers to director remuneration over the past year (includes director salary, additional compensation, various bonuses, and incentive pay).

Note 3: As stipulated in the Company's Articles of Incorporation, directors are not awarded bonuses.

Note 4: Refers to relevant business expenses incurred by directors (including travel expenses, various allowances, and using company cars). If provided with a car or other transportation, or exclusive personal expenses, the type and cost, rent (actual or fair market calculation), fuel cost, and other costs of the assets provided must be disclosed. The above figures do not include remuneration paid to drivers, which totaled NT\$1,208,000.

Note 5: Refers to salary, bonuses, and allowances received by directors who are also employed by the Company (including as president, vice president, other managers, or regular employee) over the past year and includes salary, additional compensation, various bonuses, incentive pay, travel expenses, various allowances, and using company cars. If provided with a car or other transportation, or exclusive personal expenses, the type and cost, rent (actual or fair market calculation), fuel cost, and other costs of the assets provided must be disclosed. The above figures do not include remuneration paid to drivers, which totaled NT\$857,000. The Company didn't carry out employee stock options, employee restricted stock awards and participation in a cash capital increase.

Unit: NT\$ thousands Dec 31, 2022

Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A + B + C + D + E + F + G) to Net Loss (%) (Note 8)				Compensation Paid to Directors from an Invested Company or Parent Company Other than the Company's Subsidiary (Note 9)
Salary, Bonuses, and Allowances (E)(Note 5)		Severance Pay (F)		Employees' Compensation (G) (Note 6)								
CAL	Consolidated Subsidiaries of CAL (Note 7)	CAL	Consolidated Subsidiaries of CAL (Note 7)	CAL		Consolidated Subsidiaries of CAL (Note 7)		CAL	Consolidated Subsidiaries of CAL (Note 7)			
				Cash	Stock	Cash	Stock					
13,042	13,866	0	0	52	0	52	0	27,202	0.95%	32,972	1.15%	None

2. Except for the disclosure seen in the above table, the remuneration received by the Directors of the Company for the services provided for all companies in the financial report (such as serving as a consultant who is not an employee) in the most recent year: None.

Note 6: Refers to employee compensation (including stock or cash) received by directors who are also employed by the Company (including as president, vice president, other managers, or regular employee) over the past year, and the amount of employee compensation approved for distribution by the Board for the most recent year must be disclosed. On March 9, 2023, the Company's Board of Directors resolved to approve the employee compensation plan for 2022.

Note 7: The total remuneration provided by the Company and subsidiaries to directors is disclosed per the consolidated financial statement.

Note 8: The remuneration distributed to each member of the Company's Board is disclosed as a range and the names of Directors are disclosed by range of compensation received.

Note 9: The total remuneration provided by the Company and subsidiaries to Directors is disclosed per the consolidated financial statement and names of Directors are disclosed by range of compensation received.

Note 10: Net income refers to net income (after tax) for the most recent year. For those already using IFRS, net income refers to net income (after tax) reported on the individual financial statement for the most recent year. The Company's 2022 individual financial statement net profit (after tax) totaled NT\$2,859,503,172.

Note 11: (1) The directors of the Company do not receive any remuneration related to the reinvestment of enterprises other than subsidiaries.

(2) Compensation refers to pay, bonuses (including bonuses to employees, directors, or supervisors), or expenses paid in the execution of business to Company directors who serve as a director, supervisor, or manager of an invested company other than a company subsidiary.

Note 12: (1) Aside from Chairman Hsieh, Su-Chien and Director Kao, Shing-Hwang, all other directors received a travel allowance.

(2) Transportation subsidies for Director Ting, Kwang-Hung, Director Wei, Yung-Yeh, and Director Chao-Kang were partially donated to the China Airlines Employee Union.

(3) Directors who also serve as employees of the Company are Director Kao, Shing-Hwang, Director Wei, Yung-Yeh, and Director Chao, Kang.

* The content is provided for information disclosure and not tax purposes.

Director Remuneration by Compensation Level

Range of Remuneration	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	CAL (Note 8)	Consolidated Subsidiaries of CAL (H) (Note 9)	CAL (Note 8)	Consolidated Subsidiaries of CAL (I) (Note 9)
Under NT\$1,000,000	Kao Shing-Hwang; Chen, Charles C.Y.; Ting, Kwang-Hung; Chen, Han-Ming; Wei, Yung-Yeh; Wang, Shih-Szu; Chang, Hsieh Gen-Sen; Chen, Maun-Jen; Chao, Kang; Huang, Chung-Che; National Development Fund (Executive Yuan); Huang, Hsieh-Hsing; Hwang, Chin-Yeong; Chang, Hui-Chuan	Kao Shing-Hwang; Chen, Charles C.Y.; Ting, Kwang-Hung; Wei, Yung-Yeh; Wang, Shih-Szu; Chang, Hsieh Gen-Sen; Chen, Maun-Jen; Chao, Kang; Huang, Chung-Che; National Development Fund (Executive Yuan); Huang, Hsieh-Hsing; Hwang, Chin-Yeong; Chang, Hui-Chuan	Chen, Charles C.Y.; Ting, Kwang-Hung; Chen, Han-Ming; Wang, Shih-Szu; Chang, Hsieh Gen-Sen; Chen, Maun-Jen; Huang, Chung-Che; National Development Fund (Executive Yuan); Huang, Hsieh-Hsing; Hwang, Chin-Yeong; Chang, Hui-Chuan	Chen, Charles C.Y.; Ting, Kwang-Hung; Wang, Shih-Szu; Chang, Hsieh Gen-Sen; Chen, Maun-Jen; Huang, Chung-Che; National Development Fund (Executive Yuan); Huang, Hsieh-Hsing; Hwang, Chin-Yeong; Chang, Hui-Chuan
NT\$1,000,000 - NT\$1,999,999	-	-	-	-
NT\$2,000,000 - NT\$3,499,999	-	-	Wei, Yung-Yeh; Chao, Kang	Wei, Yung-Yeh; Chao, Kang
NT\$3,500,000 - NT\$4,999,999	-	Chen, Han-Ming	-	Chen, Han-Ming
NT\$5,000,000 - NT\$9,999,999	Hsieh, Su-Chien	Hsieh, Su-Chien;	Hsieh, Su-Chien; Kao Shing-Hwang	Hsieh, Su-Chien
NT\$10,000,000 - NT\$14,999,999	-	-	-	Kao Shing-Hwang
Total	15 people	15 people	15 people	15 people

President and Senior Vice President Remuneration

Title	Name	Salary (A) (Note 2)		Severance Pay (B)		Bonuses and Allowances (C) (Note 3)	
		CAL	Consolidated Subsidiaries of CAL (Note 5)	CAL	Consolidated Subsidiaries of CAL (Note 5)	CAL	Consolidated Subsidiaries of CAL (Note 5)
President	Kao, Shing-Hwang	21,326	21,326	12,963	12,963	20,506	25,114
Senior Vice President	Wang, Chen-Min						
Senior Vice President	Lai, Ming-Hui						
Senior Vice President	Chen, I-Chieh						
Senior Vice President	Sun, Jia-Min						
Senior Vice President	Lo, Ya-Mei						
Senior Vice President	Wang, Houg						

President and Senior Vice President Remuneration by Compensation Level

Range of Remuneration	Name of President and Senior Vice President	
	CAL (Note 6)	Consolidated Subsidiaries of CAL (E)(Note 7)
Under NT\$1,000,000	-	-
NT\$1,000,000 - NT\$1,999,999	-	-
NT\$2,000,000 - NT\$3,499,999	-	-
NT\$3,500,000 - NT\$4,999,999	Sun, Jia-Min, Lo, Ya-Mei	
NT\$5,000,000 - NT\$9,999,999	Kao, Shing-Hwang, Lai, Ming-Hui, Wang, Chen-Min; Chen, I-Chieh	Sun, Jia-Min, Lo, Ya-Mei, Wang, Chen-Min; Chen, I-Chieh
NT\$10,000,000 - NT\$14,999,999	Wang, Houg;	Kao, Shing-Hwang, Lai, Ming-Hui, Wang, Houg;
Total	7 people	7 people

Unit: NT\$ thousands December 31, 2022

Employees' Compensation (D) (Note 4)				Ratio of Total Compensation (A + B + C + D) to Net Loss (%) (Note 8)				Compensation paid to the Presidents and Senior Vice Presidents from an Invested Company or Parent Company Other Than the Company's Subsidiary (Note 9)
CAL		Consolidated Subsidiaries of CAL (Note 5)		CAL		Consolidated Subsidiaries of CAL (Note 5)		
Cash	Stock	Cash	Stock					
146	0	146	0	54,941	1.92%	59,549	2.08%	None

Note 1: President Kao, Shing-Hwang concurrently serves as Director. Their remuneration is listed above and also in the Remuneration of Directors table. Mr. Wang, Houg dismissed from the post of senior vice president on January 30, 2022; Mr. Sun, Jia-Min assumed as senior vice president on January 31, 2022; Mrs. Lo, Ya-Mei assumed as senior vice president on March 15, 2022.

Note 2: Refers to president and senior vice president salaries, additional compensation, and severance pay over the past year.

Note 3: Refers to various bonuses, incentive pay, travel expenses, various allowances, and company cars distributed to presidents and senior vice presidents over the past year. If provided with a car or other transportation, or exclusive personal expenses, the type and cost, rent (actual or fair market calculation), fuel cost, and other costs of the assets provided must be disclosed. The above figures do not include remuneration paid to drivers, which totaled NT\$4,966,000. As stipulated in IFRS 2, Share Based Payments including obtaining employee stock options and employee restricted stock awards as well as participation in a cash capital increase shall be calculated as remuneration.

Note 4: Refers to employee compensation (including stock or cash) approved for distribution by president and senior vice presidents over the past year. Net income refers to net income (after tax) for the most recent year. For those already using IFRS, net income refers to net income (after tax) reported on the individual financial statement for the most recent year. On March 9, 2023, the Company's Board of Directors resolved to approve the employee compensation plan for 2022.

Note 5: The total remuneration provided by the Company and subsidiaries to Company presidents and senior vice presidents is disclosed per the consolidated financial statement.

Note 6: The remuneration distributed to each president and senior vice president is disclosed as a range and the names of the presidents and vice presidents are disclosed by range of compensation received.

Note 7: The total remuneration provided by the Company and subsidiaries to presidents and senior vice presidents is disclosed per the consolidated financial statement and names of the presidents and vice presidents are disclosed by range of compensation received.

Note 8: Net income refers to net income (after tax) for the most recent year. For those already using IFRS, net income refers to net income (after tax) reported on the individual financial statement for the most recent year. The Company's 2022 individual financial statement net profit (after tax) totaled NT\$2,859,503,172.

Note 9: The President and Senior Vice President of the Company do not receive any remuneration related to the reinvestment of enterprises other than subsidiaries.

* The content is provided for information disclosure and not for tax purposes.

Employees' Compensation in the Management Team

Unit: NT\$ thousands Dec 31, 2022

Title	Name	Employees' Compensation in Stocks	Employees' Compensation in Cash	Total	Ratio of Total Amount to Net Income (%)
Director	Hsieh, Su-Chien				
President	Kao, Shing-Hwang				
Senior Vice President	Lai, Ming-Hui				
Senior Vice President	Wang, Chen-Min				
Senior Vice President	Chen, I-Chieh				
Senior Vice President	Sun, Jia-Min				
Senior Vice President	Lo, Ya-Mei (Assumed post on 2022/03/15)				
Auditor General	Fang, Juo-Ling				
Data Protection Officer	Huang, Ta-Fang				
Vice President	Li, Chih-Wei				
Vice President	Chen, I-Ko				
Vice President	Peng, Pao-Chu				
Vice President	Liu, Der-Chuan				
Vice President	Lu, Shwu-Huoy				
Vice President	Lu, Shih-Ming				
Vice President and Company Secretary	Huang, Hui-Na				
Vice President	Wang, Wei				
Vice President	Chen, Chwen-Der				
Vice President	Tsao, Jyh-Fen				
Vice President	Chiu, Chang-Hsin (Assumed post on 2022/12/01)	0	1,287	1,287	.05%
Vice President	Chu, Te-Hsiu				
Vice President	Chang, Cheng-Hao				
Vice President	Chung, Ming-Jyh				
Vice President	Lee, Jung-Hui (Assumed post on 2022/03/16)				
Vice President	Tsai, Chih-Hung				
Vice resident	Hsiao, Jui-Fu				
Deputy Auditor General	Ho, Hui-Fen				
Assistant Vice President	Shan, Jia-Ling (Assumed post on 2022/03/16)				
Assistant Vice President	Kao, Shu-Chuan (Assumed post on 2022/01/06)				
Assistant Vice President	Yu, Yueh-Han				
Assistant Vice President	Hsiung, Shih-Ching (Assumed post on 2022/03/01)				
Assistant Vice President	Kang, Yi-Chuan				
Assistant Vice President	Tsai, Hsieh-Liang (Assumed post on 2022/10/06)				
Assistant Vice President	He, Cheng				
Assistant Vice President	Chen, Pei-Ti				
Assistant Vice President	Hua, Te-Lin (Assumed post on 2022/01/07)				
Assistant Vice President	Wei, Chia-Hsiang				
Assistant Vice President	Shih, Ching-Yun				

Title	Name	Employees' Compensation in Stocks	Employees' Compensation in Cash	Total	Ratio of Total Amount to Net Income (%)
Assistant Vice President	Hsueh, Po-Wen				
Assistant Vice President	Pan, Wen-Tsung (Assumed post on 2022/08/12)				
Assistant Vice President	Lee, Pei-Chen				
Assistant Vice President	Chen, Mei-Fen				
Assistant Vice President	Wang, Ching-Ting				
Assistant Vice President	Tsai, Jiunn-Chin (Assumed post on 2022/04/16)				
Assistant Vice President	Shen, Ming (Assumed post on 2022/05/01)				
Assistant Vice President	Tsao, Jiin-Wen (Assumed post on 2022/05/01)				
Assistant Vice President	Chou, Chih-Lung				
Assistant Vice President	Chen, Jo-Ching (Assumed post on 2022/05/01)				
Assistant Vice President	Huang, Yuan-Yua (Assumed post on 2022/04/30)				
Assistant Vice President	Hsu, Hsueh-Wen (Assumed post on 2022/02/13)				
Assistant Vice President	Kung, Yuan-Jau				
Assistant Vice President	Yeh, Jin-Fu				
Assistant Vice President	Yen, Yang				
Assistant Vice President	Liu, Duan-Shiuh				
Assistant Vice President	Shih, Ching-Kai				
Assistant Vice President	Shih, Hui-Huang				
Assistant Vice President	Lin, Pi-Wei				
Assistant Vice President	Pan, Yun-Hau (Dismissed on 2022/01/07)				
Senior Vice President	Wang, Houng (Dismissed on 2022/01/31)				
Vice President	Hong, Tsu-Kuang (Dismissed on 2022/03/01)				
Assistant Vice President	Cheng, Yu-Lin (Dismissed on 2022/04/15)				
Assistant Vice President	Huang, Chin-Feng (Dismissed on 2022/04/30)				
Assistant Vice President	Fang, Yuan-Hua (Dismissed on 2022/05/01)				
Assistant Vice President	Lin, Heng-Shan (Dismissed on 2022/06/18)				
Assistant Vice President	Huang, Hsiang-Piao (Dismissed on 2022/10/06)				
Vice President	Chou, Jyh-Shyan (Dismissed on 2022/11/30)				
Company Secretary	Chien, Feng-Nien (Dismissed on 2022/11/30)				

Note 1: Individual names and titles are disclosed, but the distributed compensation is disclosed as a grand total.

Note 2: On March 9, 2023, the Company's Board of Directors approved the 2022 Employee Compensation Proposal.

Note 3: The management team includes:

- (1) Presidents and their equivalent;
- (2) Vice presidents and their equivalent;
- (3) Assistant vice presidents and their equivalent;
- (4) Chief financial officers;
- (5) Chief accounting officers;
- (6) Other persons authorized to manage affairs and sign documents on behalf of the Company.

3.2.4 The Comparison Between the Remuneration for Directors, Presidents, and Vice Presidents in the Most Recent Two Fiscal Years and the Remuneration Policy for Directors, Presidents, and Vice Presidents

- A. The ratio of the total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, presidents, and vice presidents of the Company, to their net income (loss)

Title	2021		2022	
	CAL	Consolidated Subsidiaries of CAL	CAL	Consolidated Subsidiaries of CAL
Directors	0.57%	0.63%	0.95%	1.15%
Presidents and Senior Vice Presidents	0.74%	0.80%	1.92%	2.08%

- B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance

As stipulated in the Articles of Incorporation, the Board of Directors is authorized to set the chairman's remuneration in accordance with the Company's policies regarding manager compensation and based on the extent of his or her participation in the Company's operations. The travel allowances and remuneration of other directors are determined by the Board in reference to the compensation levels provided by related-industries and public companies. In accordance with Article 29 of the Company Act, president and senior vice president's remuneration is set by the Board of Directors' resolution based on salary-related regulations. Bonuses and employee compensation are calculated based on the Company's overall operating performance and the employee's individual performance achievement rate.

- C. Procedure for establishing remuneration

In the case of remuneration for board members and managers, as per regulation, the Company's Salary and Remuneration Committee meets regularly to assess and set salaries and remuneration, which are implemented after submission to the Board of Directors.

- D. Linkage to business outcomes

(1)The remuneration of the president has already been determined based on his professional capability and the Company's operations and financial situation. The Senior Vice Presidents are evaluated based on the work performance evaluation regulation of the Company, which includes 40% of personal performance management and 60% double the annual work evaluation. The criteria include financial aspect, customer aspect, internal process aspect, safety aspect, growth and learning aspect, etc.

(2)Pursuant to Chapter 5, Article 25 of the Articles of Incorporation, if the Company makes profits in the year, no less than 3% of the profit shall be distributed as employee remuneration in either stock or cash. According to the internal regulations, work performance bonus is distributed based on the company's management goals in different stages. Specifically, 60% accounts for personal performance and 40% accounts for the job title.

- E. Linkage to future risk

Major decision-making at operational levels of the company always takes into consideration risks and balances various risk factors. Major decision-making performance will be reflected in the Company's profits, thereby relating to salaries and remuneration to management levels. Specifically, the salaries and remuneration of the chairman of the board, the president, and senior vice presidents are linked to results and managing future risk.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A. From January 1, 2022 to April 2, 2023, a total of 9 meetings of the Board of Directors were held. The average attendance rate was 96.58%. Director attendance is detailed below:

Title	Name (Note 1)	Attendance in Person	By Proxy	Attendance Rate (%) (Note 2)	Juridical Person Shareholder Represented	Remarks
Chairman	Hsieh, Su-Chien	9	0	100%	China Aviation Development Foundation	None
Director	Kao, Shing-Hwang	9	0	100%	China Aviation Development Foundation	None
Director	Chen, Charles C.Y.	8	1	89%	China Aviation Development Foundation	On 2022/08/30, Hsieh, Su-Chien attended as a proxy.
Director	Ting, Kwang-Hung	7	2	78%	China Aviation Development Foundation	On 2022/11/09, Hsieh, Su-Chien attended as a proxy. On 2023/01/10, Hsieh, Su-Chien attended as a proxy.
Director	Chen, Han-Ming	9	0	100%	China Aviation Development Foundation	None
Director	Chen, Maun-Jen	9	0	100%	China Aviation Development Foundation	None
Director	Wei, Yung-Yeh	9	0	100%	China Aviation Development Foundation	None
Director	Chao, Kang	9	0	100%	China Aviation Development Foundation	None
Director	Chang, Hui-Chuan	4	1	80%	National Development Fund (Executive Yuan)	Newly appointed on 2022/05/20. On 2022/11/09, Wang, Shih-Szu attended as a proxy.
Director	Wang, Shih-Szu	9	0	100%	National Development Fund (Executive Yuan)	None
Independent Director	Hwang, Chin-Yeong	9	0	100%	-	None
Independent Director	Chang, Hsieh Gen-Sen	9	0	100%	-	None
Independent Director	Huang, Hsieh-Hsing	9	0	100%	-	None
Director	Huang, Chung-Che	4	0	100%	National Development Fund (Executive Yuan)	Dismissed on 2022/05/20.

Other items deserving mention:

- With the operations of the Company by the Board of Directors, should any one of the following situations arise, the Board Meeting date, session, content of the resolution, opinions of all independent directors, and the Company's response to these comments shall be properly recorded:
 - Matters listed under Article 14-3 of the Securities and Exchange Act: The Company has set up an Audit Committee, hence, this does not apply.
 - Other matters during decision-making by the Board not listed in Article 14-3 of the Securities and Exchange Act but were opposed by independent directors or directors stating they have reservations, and their opinion has been recorded or submitted in a written statement: None.
- Should a director recuse him or herself from a decision about which he or she has a conflict of interest, the name of the director, contents of the resolution, reasons for recusal, and the results of the vote should be noted:

Meeting date	Agenda content	Directors recused for conflicting interest	Reason for recusal	Participation in vote
January 12th, 2022: 3rd meeting of the 22nd Board of Directors	Chairman and Management Team's 2021 Year-end Bonus and Incentive Bonus	Chairman Hsieh, Su-Chien; Director Kao, Shing-Hwang	Personal interest in this matter	Chairman Hsieh, Su-Chien and Director Kao, Shing-Hwang, who recused according to law due to interests involved, did not participate in the discussion or voting. The rest of the 11 attending Directors approved the resolution.
	Chairman and Management Team's Salary Increase for 2022	Chairman Hsieh, Su-Chien; Director Kao, Shing-Hwang	Personal interest in this matter	Chairman Hsieh, Su-Chien and Director Kao, Shing-Hwang, who recused according to law due to interests involved, did not participate in the discussion or voting. The rest of the 11 attending Directors approved the resolution.
August 9th, 2022: 6th meeting of the 22nd Board of Directors	Chairman and Management Team's 2021 Employees' Compensation	Chairman Hsieh, Su-Chien; Director Kao, Shing-Hwang	Personal interest in this matter	Chairman Hsieh, Su-Chien and Director Kao, Shing-Hwang, who recused according to law due to interests involved, did not participate in the discussion or voting. The rest of the 11 attending Directors approved the resolution.
January 10th, 2023: 8th meeting of the 22nd Board of Directors	Chairman and President's 2022 Year-end Bonus and Incentive Bonus	Chairman Hsieh, Su-Chien; Director Kao, Shing-Hwang	Personal interest in this matter	Chairman Hsieh, Su-Chien and Director Kao, Shing-Hwang, who recused according to law due to interests involved, did not participate in the discussion or voting. The rest of the 10 attending Directors approved the resolution.
	Chairman and President's Salary Increase for 2023	Chairman Hsieh, Su-Chien; Director Kao, Shing-Hwang	Personal interest in this matter	Chairman Hsieh, Su-Chien and Director Kao, Shing-Hwang, who recused according to law due to interests involved, did not participate in the discussion or voting. The rest of the 10 attending Directors approved the resolution.
March 9th, 2023: 9th meeting of the 22nd Board of Directors	Capital increase for Tigerair Taiwan Co., Ltd.	Director Chen, Han-Ming	Personal interest in this matter	Director Chen, Han-Ming, who recused according to law due to interests involved, did not participate in the discussion or voting. The rest of the 12 attending Directors approved the resolution.

- Board of Directors' functional improvement goals for the last year and the current year (such as forming an audit committee and improving information transparency) in addition to the implementation of assessments:

(1) To strengthen the management mechanisms and supervision, three functional committees, namely, the Remuneration Committee, Audit Committee, and Risk Committee, were set up under the Board of Directors. Each is convened based on its charter and the charters were approved by the Board. The committees meet to review and discuss relevant issues and report their conclusions and suggestions to the Board for resolution. The committees have been a success. The regulations governing functional committees passed by the Board specify the number of committee members, term of office, committee powers, rules of procedure, and resources to be provided by the Company when the committees exercise their powers.

- (2) The Company has formulated the "Regulations Governing the Board Performance Evaluation", which is implemented once at the end of each year, in order to implement corporate governance, improve the functioning of the Board of Directors of the Company and establish performance objectives to enhance the efficiency of the Board of Directors. The evaluation method is divided into performance evaluation of the entire Board of Directors, individual Board members, and the functional committees. The evaluation shall be conducted every three years by an external, professional, and independent organization or a team of experts and scholars. The Company has conducted a performance evaluation in 2021. The self-evaluation results by the entire Board of Directors, individual Board members, and the functional committees were all excellent. The result was reported to the Board of Directors on March 9th, 2023. Hang Seng S.D. Co., Ltd. conducted the 2020 external evaluation of the Board of Directors and the result was excellent.
- (3) The Company regularly arranges advanced courses for directors every year, which cover corporate governance-related topics, such as finance, risk management, sales, business, legal affairs, accounting, internal control system, financial reporting responsibility, corporate social responsibility, etc. It also encourages members of the Board to continue to participate in courses related to corporate governance in their new or existing term of office to enable the members of the Board to have different professional functions and to implement the diversification policy of directors.
- (4) For more information regarding China Airlines Corporate Governance, please refer to the website (<http://www.china-airlines.com>): Corporate Social Responsibility, "Stakeholders' Area" and "Investor Information".

4. Independent director attendance record from January 1, 2022 to April 2, 2023:

Name	Dates									
	2022/ 01/12	2022/ 01/27	2022/ 03/15	2022/ 05/09	2022/ 08/09	2022/ 08/30	2022/ 11/09	2023/ 01/10	2023/ 03/09	
Chang, Hsieh Gen-Sen	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Hwang, Chin-Yeong	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Huang, Hsieh-Hsing	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Note: ✓ Indicates attendance in person. ○ indicates attendance by proxy. ⊞ indicates no attendance.

Note 1: For directors that are juridical persons, the name of the juridical person shareholder and its representatives must be disclosed.

Note 2: (1) When a director resigns before the year's end, the remark column shall have the date of resignation and actual attendance rate (%) calculated based on the number of meetings held during the period prior to resignation and the actual number of meetings attended by him/her.

(2) If there is a change of directors prior to the end of the year, both the new and old directors shall be included in the table. The remark column shall note whether the director has been re-elected or newly elected and the date of the (re)election. Actual attendance rate (%) is calculated based on the number of meetings held during the period of service and the actual number of meetings attended by him/her.

B. Evaluation of the Board of Directors

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation content
(1) Engage in one internal evaluation per year.	January 1 to December 31, 2022	Covers the evaluation of the board as a whole, the individual directors, and functional committees	Evaluation by the business team of the Board of Directors, self-evaluation by the Board members, and performance evaluation by the functional committee members	(1) Board of Directors' performance evaluation: 11 metrics in total, including 5 measurement parameters, i.e., the degree of participation in the Company's operations, the Board of Directors' decision-making quality, the composition and structure of the Board of Directors, the selection and continual education of Directors, and internal control. (2) Individual Board members: 18 metrics in total, including 6 measurement parameters, i.e., mastery of Company's goals and tasks, recognition of Directors' responsibilities, participation in Company's operations, internal relationship management and communication, Director's expertise and continual education, and internal control. (3) Evaluating Functional Committee Performance: 10 metrics in total, including 5 measurement parameters, i.e., the degree of participation in the Company's operations, functional committee responsibility awareness, decision-making quality of functional committee, composition and member selection of functional committee, and internal control.
(2) An external evaluation shall be carried out every three years by an external, professional, and independent organization or a team of experts and scholars.	January 1 to December 31, 2020	Covers the evaluation of the board as a whole and functional committees	External evaluation form of the Functional Committees and the observation of the Board meeting	The evaluation aspects cover the engagement of company operation, decision-making improvement by the Board of Directors, the composition and structure of the Board of Directors, the selection and appointment of the Board of Directors, continuous learning, internal control, corporate governance, and operating performance evaluation.

3.3.2 Audit Committee

The Audit Committee convened six meetings from January 1, 2022 to April 2, 2023. The attendance of Committee members is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Independent Director	Chang, Hsieh Gen-Sen	8	0	100%	None
Independent Director	Huang, Hsieh-Hsing	8	0	100%	None
Independent Director	Hwang, Chin-Yeong	8	0	100%	None

Other mentionable items:

1. Key functions of the Audit Committee:

The Committee consists of three independent directors. The key functions of the year are (1) to assist the Board of Directors in supervising the Company on the fair presentation of the relevant financial statements, (2) the appointment (dismissal) of a CPA and its independence and performance, (3) the auditing of the Company's internal control system, (4) compliance with related laws, regulations, and rules of the Company (such as, internal control system, acquisition or disposal of assets, derivative commodity transactions, loaning funds to others, providing endorsements or guarantees for others), and (5) other matters included in its statutory functions (appointment and dismissal of financial supervisors or internal audit executive, mergers, and acquisition-related matters).

2. In the operation of the Audit Committee, should one of the below situations arise, the date of the Board Meeting, session, content of the resolution, result of the Audit Committee resolution, and the Company's response to these views must be properly recorded:

(1) Matters listed under Article 14-5 of the Securities and Exchange Act:

Meeting date	Agenda content	Outcome of the vote by the Board of Auditors and company's handling of the Board's views	Outcome of the Board of Directors' decision
January 27, 2022 2nd Extraordinary Meeting of the Audit Committee of the 22nd Board of Directors	Purchase of "777F cargo aircraft"	Passed to the Board of Directors with unanimous approval by all attending members .	Approved by all attending Directors in the 3rd extraordinary meeting of the 22nd Board of Directors on January 27, 2022.
March 15, 2022 3rd Meeting of the Audit Committee of the 22nd Board of Directors	2021 Financial Report and Consolidated Financial Report 2021 Deficit Compensation 2022 CPA Appointment and Remuneration Revision of "Procedures for the Acquisition or Disposal of Assets" 2021 Internal Control System Effectiveness Audit and Statement		Approved by all attending Directors in the 4th meeting of the 22nd Board of Directors on March 15, 2022.
May 9, 2022 4th Meeting of the Audit Committee of the 22nd Board of Directors	Change of accounting officer Change CPA of Deloitte & Touche		Approved by all attending Directors in the 5th meeting of the 22nd Board of Directors on May 9, 2022.
August 30, 2022 3rd Extraordinary Meeting of the Audit Committee of the 22nd Board of Directors	Introduction of new wide-body passenger aircraft		Approved by all attending Directors in the 4th extraordinary meeting of the 22nd Board of Directors on August 30, 2022.
November 9, 2022 6th Meeting of the Audit Committee of the 22nd Board of Directors	2022 Audit Plan		Approved by all attending Directors in the 7th meeting of the 22nd Board of Directors on November 9, 2022.
March 9, 2023 7th Meeting of the Audit Committee of the 22nd Board of Directors	2022 Financial Report and Consolidated Financial Report 2022 Surplus Earning Distribution 2023 CPA Appointment and Remuneration Capital increase for Tigerair Taiwan Co., Ltd. 2022 Internal Control System Effectiveness Audit and Statement		Approved by all attending Directors in the 9th meeting of the 22nd Board of Directors on March 9, 2023.

(2) Other matters up for decision by the Board not listed in Article 14-5 of the Securities and Exchange Act that were not passed by the Audit Committee but approved by two-thirds of the majority of the entire Board: None.

3. In situations where independent directors recuse themselves due to conflict of interest, the independent director's name, the content of the resolution, the reason for recusal, and his or her voting participation should be properly recorded: None.

4. Types of communication between independent directors, internal audit managers, and auditors (regarding issues such as Company financial and operational status, procedures, and results):

- (1) In addition to the independent directors of the Company receiving the audit report monthly, the audit officer submits the annual audit plan and the implementation of independent directors through the Audit Committee and the Board of Directors. The audit officer replies to the independent director's questions, provides necessary information, strengthens the audit work in accordance with his instructions, and ensures the effectiveness of internal controls. In addition, in non-routine communication, the audit value shall be continuously improved. In case of any major violation, the independent director shall be informed immediately.
- (2) Before the audit committee meeting is held in each quarter, the certified public accountant and the independent directors shall convene a communication meeting to report to the independent director and explain the audit plan, implementation situation, or review the results of the financial statements. Furthermore, the certified public accountant shall provide the financial statements and relevant necessary information to the audit committee and the Board of Directors in each quarter, and attend the meeting in a non-voting capacity.

(3) Directors shall contact the audit supervisor or accountants when needed for full communication.

• Communication between independent directors and accountants:

Means of communication	Communication matters		Communication results	
	Primary matter	Proposal by independent director	Results	Company's processing status
March 15, 2022 Audit Committee	Before the meeting, the accountant separately reported and explained the audit situation to the independent director. At the meeting, the financial director of the Company explained the audit results of the financial report in 2021. Issues raised by the participants were discussed and communicated.	Requested the CPAs to conduct cash audits of China Airlines, Mandarin Airlines, and Tigerair Taiwan to strengthen the control of security and liquidity of cash.	Approved by all attending independent directors.	The proposals continued to be submitted for the Board of Directors' approval and completed the 2021 financial report announcement and declaration on March 31, 2022.
May 5, 2022 Audit Committee	Before the meeting, the accountant separately reported and explain the review situation to the independent director. At the meeting, the financial director of the Company explained the review results of the financial report in the first quarter of 2022. Issues raised by the participants were discussed and communicated.	Inquire about other sources of income in the consolidated financial statements and whether they can continue to be maintained, whether the 10-year loss deduction for deferred income tax has been fully used, and the reasons for changes in the amount of land and buildings in the right-of-use assets in intangible assets.	Noted by all attending independent directors.	The proposals continued to be reported to the Board of Directors and have completed the Q1 2022 financial report announcement and declaration on May 16, 2022.
August 9, 2022 Audit Committee	Before the meeting, the accountant separately reported and explained the review situation to the independent director. At the meeting, the financial director of the Company explained the review results of the financial report in the second quarter of 2022. Issues raised by the participants were discussed and communicated.	Inquire about the reason for the decrease in the current amount of financial assets at amortized cost, the nature of gains or losses of hedging instruments to which basis adjustment does not apply, the content of sensitivity analysis, assessment of risk factors such as future interest rates, international political and economic relations, and oil price, and the relevant operational planning.	Noted by all attending independent directors.	<ol style="list-style-type: none"> The managerial department provided the explanation and response forthwith during the meeting. The proposals continued to be reported to the Board of Directors and have completed the Q2 2022 financial report announcement and declaration on August 15, 2022.
November 9, 2022 Audit Committee	Before the meeting, the accountant separately reported and explained the review situation, the audit planning, and key audit issues of the 2022 financial report to the independent director. At the meeting, the financial director of the Company explained the review results of the financial report in the third quarter of 2022. Issues raised by the participants were discussed and communicated.	Inquire about the difference between the performance in the third quarter and that of Korean Air, the reason why the consolidated statement of comprehensive income is a net loss after tax but the earnings per share is a positive number, the assessment of A330 sale and leaseback, etc.	Noted by all attending independent directors.	<ol style="list-style-type: none"> The managerial department provided the explanation and response forthwith during the meeting. The proposals continued to be reported to the Board of Directors and have completed the Q3 2022 financial report announcement and declaration on November 14, 2022.
March 9, 2023 Audit Committee	Before the meeting, the accountant separately reported and explained the audit situation to the independent director. At the meeting, the financial director of the Company explained the audit results of the financial report in 2022. Issues raised by the participants were discussed and communicated.	Inquire about whether the overpayment of the lease to the Civil Aeronautics Administration has been recognized in the financial report, the reason for the increase in costs, and the forecast for the structural changes in the Indian market in the next two years and the reminder for the Company to take early actions, etc.	Approved by all attending independent directors.	<ol style="list-style-type: none"> The managerial department provided the explanation and response forthwith during the meeting. The proposals continued to be submitted for the Board of Directors' approval and have completed the 2022 financial report announcement and declaration on March 16, 2023.

• Communication between independent directors and the internal audit supervisor:

Means of communication	Communication matters		Communication results	
	Primary matter	Proposal by independent director	Results	Company's processing status
January 12, 2022 Audit Committee	Internal audit business report for October to December 2021	None	Noted by all attending members and reported to the Board of Directors.	Reported to the Board of Directors on January 12, 2022.
March 15, 2022 Audit Committee	Internal audit business report for January 2022	None	Noted by all attending members and reported to the Board of Directors.	Reported to the Board of Directors on March 15, 2022.
	2021 internal control effectiveness audit and statement	<p>Convener Huang:</p> <p>1. Owing to the Novotel Taipei Taoyuan International Airport case last year, we asked our subsidiary, China Hotels, about the internal control procedures for "entry and exit control of flight crews during the pandemic".</p> <p>2. Asked Mandarin Airlines and Tigerair if they have internal auditors.</p> <p>Committee Member Huang:</p> <p>1. Asked about if there are any changes in the passenger booking structure.</p> <p>2. What is the difference in profit between official ticketing and travel agency ticketing?</p> <p>Committee Member Chang: Ask the company whether the internal control system has an alert function. One of the purposes of internal control is to make the company operate more effectively, and the system should be able to identify risks for more effective management.</p>	<p>1. Approved by all attending members and reported to the Board of Directors.</p> <p>2. Explained by the managerial department.</p>	Resolved by the Board of Directors on March 15, 2022. The 2021 Internal Control Statement has been completed its announcement and declaration on March 18, 2022 and disclosed in the 2021 annual report.
May 9, 2022 Audit Committee	Internal audit business report for February to March 2022	<p>Convener Huang:</p> <p>Inquire about the January audit report.</p> <p>Committee member Chang: Inquire about the improvement progress of capability self-preparing financial report.</p>	<p>1. Noted by all attending members and reported to the Board of Directors.</p> <p>2. Explained by the managerial department.</p>	Reported to the Board of Directors on May 9, 2022.
August 9, 2022 Audit Committee	Internal audit business report for April to June 2022	None	Noted by all attending members and reported to the Board of Directors.	Reported to the Board of Directors on August 9, 2022.
November 9, 2022 Audit Committee	Internal audit business report for July to September 2022	<p>Convener Huang:</p> <p>Please explain the definition of accepting advertorial opportunities in private.</p>	<p>1. Noted by all attending members and reported to the Board of Directors.</p> <p>2. Explained by the managerial</p>	Reported to the Board of Directors on November 9, 2022.

		2023 Audit plan	<p>Committee member Chang: Inquire about whether the audit of branches is done by actual visits of foreign sites for audit or just an account audit.</p> <p>Convener Huang: Inquire about the control of accounts as there are many accounts in the cash operations.</p>	department.	
March 9, 2023 Audit Committee		2022 internal control effectiveness audit and statement	<p>Convener Huang: Inquire about whether this includes all significant subsidiaries.</p> <p>Committee member Chang Hsieh: Inquire about whether the reference indicators and control points are regularly reviewed.</p> <p>Committee member Huang: It is recommended to increase the investment amount in information security.</p>	<p>1. Approved by all attending members and reported to the Board of Directors.</p> <p>2. Explained by the managerial department.</p>	Resolved by the Board of Directors on March 9, 2023. The 2022 Internal Control Statement has been completed its announcement and declaration on March 13, 2023 and disclosed in the 2022 annual report.
		Internal audit business report for January 2023	<p>Convener Huang: Inquire about the status of the Beijing He-Run Tian-Cheng Logistics Fraud Case.</p> <p>Committee member Chang Hsieh: Inquire about whether the Beijing He-Run Tian-Cheng Logistics Fraud Case was made known only after receiving the grievance filing.</p>		Reported to the Board of Directors on March 9, 2023.

3.3.3 Risk Committee

The Risk Committee convened five meetings from January 1, 2022 to April 2, 2023. Committee member attendance is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Independent Director (Chairman)	Chang, Hsieh Gen-Sen	5	0	100%	None
Independent Director	Huang, Hsieh-Hsing	5	0	100%	None
Independent Director	Hwang, Chin-Yeong	5	0	100%	None
Director	Ting, Kwang-Hung	3	1	60%	On 2022/11/09, Hwang, Chin-Yeong attended as a proxy.
Director	Chen, Charles C.Y.	4	0	80%	None

The following are items to note:

1. Key functions of the Risk Committee:

The Committee reviews the establishment, implementation, and response measures of the Company's management strategies for overall finance, economy, flight safety, and other risks. It submits its views and recommendations to the Board of Directors for implementation.

2. Professional competence of risk management committee members:

Independent director Huang, Hsieh-Hsing, Chang, Hsieh Gen-Sen, and Hwang, Chin-Yeong all have experience in financial accounting and management; Director Ting, Kwang-Hung and Chen, Charles C.Y. both have the ability to make business-related judgments, leadership and decision-making, operation and management, crisis handling, and has an outlook on international markets.

3. The operation of the Risk Committee:

Meeting dates	Agenda content	Risk Committee resolution results and company action on Risk Committee's views	Results of the Board of Directors' decision
March 15, 2022 2nd Meeting of the Risk Management Committee of the 22nd Board of Directors	Safety management report 2022 Q1 Operations risk-management analysis Financial status report Operations outlook and financing, crude oil market analysis Financial risk hedging strategy Oil risk hedging strategy	Passed to the Board of Directors with unanimous approval by all members in attendance.	Unanimously passed by all members of the Board of Directors in attendance.
May 10, 2022 3rd Meeting of the Risk Management Committee of the 22nd Board of Directors	Safety management report 2022 Q2 Operations risk-management analysis Financial status report Operations outlook and financing, crude oil market analysis Financial risk hedging strategy Oil risk hedging strategy		
August 10, 2022 4th Meeting of the Risk Management Committee of the 22nd Board of Directors	Safety management report 2022 Q3 Operations risk-management analysis Financial status report Operations outlook and financing, crude oil market analysis Financial risk hedging strategy Oil risk hedging strategy		
November 9, 2022 5th Meeting of the Risk Management Committee of the 22nd Board of Directors	Current Status of China Airlines' Information Security and Personal Data Management System Information Management Div. business briefing Safety management report Climate governance report 2022 Q4 Operations risk-management analysis Financial status report Operations outlook and financing, crude oil market analysis Financial risk hedging strategy Oil risk hedging strategy		
March 9, 2023 6th Meeting of the Risk Management Committee of the 22nd Board of Directors	Safety management report 2023 Q1 Operations risk-management analysis Financial status report Operations outlook and financing, crude oil market analysis Financial risk hedging strategy Oil risk hedging strategy		

3.3.4 Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies

Item of Evaluation	Status of Implementation		Brief Explanation	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies and Reasons
	Yes	No		
1. Did the Company establish its Corporate Governance Best-Practice Principles in accordance with Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies and did it share those principles?	✓		The Corporate Governance Principles of the Company have been formulated in compliance with the Corporate Governance Best-Practice Principles for TSEC/TPEX-Listed Companies. Its amendment was approved at the 6 th meeting of the 21 st Board of Directors on May 8, 2019, and it was shared under the "Important Company Regulations" on the Company's website.	No Difference
2. Company ownership structure and shareholder rights (1) Did the Company establish internal operational procedures for dealing with shareholder suggestions, questions, disputes, and lawsuits? Did it put these procedures into practice?	✓		(1) The Company's website has a portal for shareholder services. A "Method for Handling Investor Relations" has been set so that investor suggestions and concerns are dealt with by shareholder service personnel and shareholder service agents according to relevant procedures. This ensures a smooth channel of communication between the Company and its shareholders and the quality of disclosed information.	No Difference
(2) Does China Airlines maintain a list of the major Company shareholders and the ultimate owners of these shareholders?	✓		(2) The China Aviation Development Foundation is China Airlines' largest shareholder and the company is in communication and contact with it.	No Difference
(3) Did China Airlines establish and implement risk control mechanisms and firewalls at the Company and affiliated enterprises?	✓		(3) The Company has established Operational Procedures for Endorsements/Guarantees, Operational Procedures for Lending Funds to Others, and Regulations Governing Management of Invested Enterprises. All capital loans and funding, endorsements/guarantees, and operational supervision and management of Company subsidiaries are in accordance with these procedures and regulations. Audit units perform quarterly audits of Company endorsements/guarantees and capital loans/funding, which are provided to the management and independent directors. The Finance Div. is responsible for overseeing implementation at invested enterprises and should any errors be noticed, a rectification deadline is set and the progress is monitored.	No Difference
(4) Did the Company establish internal standards to prevent insider trading on undisclosed information?	✓		(4) The Company established the Director's Code of Conduct, Procedures for Handling Material Inside Information, and High-Level Manager Code of Conduct to specify insider trading prevention and processing of secret stock trading as well as operating information as required of employees by law. Those with access to undisclosed material inside information are prohibited from engaging in securities trading.	No Difference

Item of Evaluation	Status of Implementation			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx-Listed Companies and Reasons																																																																																																																																																																																																																					
	Yes	No	Brief Explanation																																																																																																																																																																																																																						
3. Structure and responsibilities of the Board of Directors (1) Has the Company established policies calling for diversity among members of the Board of Directors and put these policies into practice?	✓		<p>(1) China Airlines advocates and respects the director's diversity policy. It is convinced that diversity can improve the overall performance of the Company. Members of the Board of Directors shall be based on personal capabilities. Diversification from different aspects is also taken into consideration, including their background (e.g., age, gender and nationality, etc.), experience and skills (e.g., aviation, sea freight, transportation, finance and accounting, law and insurance, electricity, technology, and public utilities, etc.), operation and management, leadership and decision-making, and crisis management ability. In order to strengthen the Board's functions to achieve the ideal goals of corporate governance, the Company has formulated the Corporate Governance Principles, Article 20, which specifies the overall abilities the Board of Directors be met with the following:</p> <p>A. The ability to make operational judgment. B. The ability to perform accounting and financial analyses. C. The ability to conduct management administration. D. The ability to manage crisis situations. E. Industrial knowledge. F. Perspective of the international market. G. The ability to lead. H. The ability to make decisions.</p> <p>The diversification policies of the current executives of the Company and their progress are as follows: Apr. 2, 2023</p> <table border="1"> <thead> <tr> <th rowspan="3">Diversified Core Name</th> <th colspan="5">Basic composition</th> <th colspan="7">Industrial experience</th> <th colspan="3">Professional competence</th> </tr> <tr> <th rowspan="2">Nationality</th> <th rowspan="2">Gender</th> <th rowspan="2">Has employee status</th> <th colspan="3">Age</th> <th rowspan="2">Duration of term of office</th> <th rowspan="2">Airlines</th> <th rowspan="2">Transport</th> <th rowspan="2">Professional services and marketing</th> <th rowspan="2">Financial and Finance</th> <th rowspan="2">Construction and engineering</th> <th rowspan="2">Banking, insurance, and real estate estate</th> <th rowspan="2">Business and supply</th> <th rowspan="2">Information and technology</th> <th rowspan="2">Metal and machinery</th> <th rowspan="2">Law</th> <th>Risk management</th> <th>Accounting</th> </tr> <tr> <th>40-50</th> <th>51-60</th> <th>Over 61</th> <th>Less than 3 years</th> <th>Six to nine years</th> <th>✓</th> <th>○</th> </tr> </thead> <tbody> <tr> <td>Hsieh, Sur-Chien</td> <td>R.O.C.</td> <td>Male</td> <td>-</td> <td>-</td> <td>✓</td> <td>-</td> <td>-</td> <td>✓</td> <td>✓</td> <td>○</td> <td>-</td> <td>-</td> <td>✓</td> <td>○</td> <td>-</td> <td>-</td> <td>✓</td> <td>○</td> </tr> <tr> <td>Kao, Shing-Hwang</td> <td>R.O.C.</td> <td>Male</td> <td>✓</td> <td>-</td> <td>✓</td> <td>-</td> <td>-</td> <td>✓</td> <td>✓</td> <td>○</td> <td>-</td> <td>-</td> <td>✓</td> <td>○</td> <td>○</td> <td>-</td> <td>✓</td> <td>○</td> </tr> <tr> <td>Chen, Charles C.Y.</td> <td>R.O.C.</td> <td>Male</td> <td>-</td> <td>-</td> <td>✓</td> <td>-</td> <td>-</td> <td>✓</td> <td>✓</td> <td>○</td> <td>-</td> <td>✓</td> <td>✓</td> <td>○</td> <td>-</td> <td>-</td> <td>✓</td> <td>-</td> </tr> <tr> <td>Ting, Kwang-Hung</td> <td>R.O.C.</td> <td>Male</td> <td>✓</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>-</td> <td>-</td> <td>-</td> <td>✓</td> <td>○</td> </tr> <tr> <td>Chen, Han-Ming</td> <td>R.O.C.</td> <td>Male</td> <td>-</td> <td>✓</td> <td>-</td> <td>-</td> <td>-</td> <td>✓</td> <td>-</td> <td>○</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>-</td> <td>✓</td> <td>-</td> <td>✓</td> <td>-</td> </tr> <tr> <td>Chen, Mau-Jen</td> <td>R.O.C.</td> <td>Male</td> <td>-</td> <td>-</td> <td>✓</td> <td>-</td> <td>-</td> <td>-</td> <td>✓</td> <td>-</td> <td>○</td> <td>-</td> <td>✓</td> <td>-</td> <td>✓</td> <td>-</td> <td>✓</td> <td>-</td> </tr> <tr> <td>Wei, Yung-Yeh</td> <td>R.O.C.</td> <td>Male</td> <td>✓</td> <td>✓</td> <td>-</td> <td>-</td> <td>-</td> <td>✓</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>✓</td> <td>-</td> <td>○</td> <td>-</td> </tr> <tr> <td>Chao, Kang</td> <td>R.O.C.</td> <td>Male</td> <td>✓</td> <td>-</td> <td>✓</td> <td>-</td> <td>-</td> <td>✓</td> <td>-</td> <td>✓</td> <td>-</td> <td>○</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>✓</td> <td>○</td> </tr> <tr> <td>Wang, Shi-Shu</td> <td>R.O.C.</td> <td>Female</td> <td>-</td> <td>✓</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>○</td> <td>-</td> <td>✓</td> </tr> </tbody> </table>	Diversified Core Name	Basic composition					Industrial experience							Professional competence			Nationality	Gender	Has employee status	Age			Duration of term of office	Airlines	Transport	Professional services and marketing	Financial and Finance	Construction and engineering	Banking, insurance, and real estate estate	Business and supply	Information and technology	Metal and machinery	Law	Risk management	Accounting	40-50	51-60	Over 61	Less than 3 years	Six to nine years	✓	○	Hsieh, Sur-Chien	R.O.C.	Male	-	-	✓	-	-	✓	✓	○	-	-	✓	○	-	-	✓	○	Kao, Shing-Hwang	R.O.C.	Male	✓	-	✓	-	-	✓	✓	○	-	-	✓	○	○	-	✓	○	Chen, Charles C.Y.	R.O.C.	Male	-	-	✓	-	-	✓	✓	○	-	✓	✓	○	-	-	✓	-	Ting, Kwang-Hung	R.O.C.	Male	✓	-	-	-	-	-	✓	✓	✓	✓	✓	-	-	-	✓	○	Chen, Han-Ming	R.O.C.	Male	-	✓	-	-	-	✓	-	○	✓	✓	✓	-	✓	-	✓	-	Chen, Mau-Jen	R.O.C.	Male	-	-	✓	-	-	-	✓	-	○	-	✓	-	✓	-	✓	-	Wei, Yung-Yeh	R.O.C.	Male	✓	✓	-	-	-	✓	-	-	-	-	-	-	✓	-	○	-	Chao, Kang	R.O.C.	Male	✓	-	✓	-	-	✓	-	✓	-	○	-	-	-	-	✓	○	Wang, Shi-Shu	R.O.C.	Female	-	✓	-	-	-	-	-	-	-	-	-	-	-	○	-	✓	No Difference
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	Yes	No	Brief Explanation																				
			Hui-Chuan Chang	R.O.C.	Female	-	-	✓	-	-	-	-	-	✓	✓	-	-	✓	-	-	-	✓	✓
			Hsieh-Hsing Huang	R.O.C.	Male	-	-	-	✓	✓	-	-	-	-	✓	-	○	-	-	-	-	✓	✓
			Chang, shieh Gen-Sen	R.O.C.	Female	-	-	-	✓	-	✓	-	-	-	✓	-	-	-	-	-	-	✓	✓
			Chin-Yeong Hwang	R.O.C.	Male	-	-	-	✓	✓	-	-	-	✓	-	-	-	○	✓	-	-	-	✓
			<p>Note: ✓ Indicates the director has the capability; ○ indicates the director has some capability.</p> <p>a. The 13 directors (including 3 independent directors) of the 22st Board of Directors of the Company have the capabilities in business judgments, leadership decision-making, operation and management, international market outlook, crisis management as well as industrial experience, and professional abilities, among which, those with experience in transportation and tourism industry are Chairman Hsieh, Su-Chien, Director Chen, Charles C.Y., Director Chao, Kang, and Director Wei, Yung-Yeh. Those who are competent at marketing are Chairman Hsieh, Su-Chien, Director Charles C.Y. Chen, Director Ting, Kwang-Hung, Director Chen, Han-Ming, and Director Chen, Maun-Jen. Director Chen, Charles C.Y. has made significant contributions to the public welfare. Director Wang, Shih-Szu (Undersecretary of the Ministry of Culture) and Director Chang, Hui-Chuan (Director of the Department of Overall Planning of the National Development Council) were previous politicians. Independent director Chang, Hsieh Gen-Sen and independent director Huang, Hsieh-Hsing both are competent in accountancy or finance and have practical experience in management or teaching. Moreover, Independent director, Huang, Chin-Yung has extensive experience in the media and technology industry.</p> <p>b. The average term of office of the company's directors is 6.8 years, among which two independent directors, Hwang, Chin-Yeong and Huang, Hsieh-Hsing, have tenure of fewer than three years. The term of office of independent director Chang, Hsieh Gen-Sen is four-and-half years and the consecutive term of office of all independent directors does not exceed three terms.</p> <p>The directors are all local citizens and three independent directors constitute 23% of the board. There is one director who is also an employee (23%). The age distribution of directors includes two directors aged 40-50, four directors aged 51-60, and seven directors aged over 61.</p> <p>In addition, the Company also pays attention to gender equality in the composition of the Board. The current board of directors consists of 3 female members (one of whom are independent directors) and the proportion of female directors is at 23%. In the future, the Company will remain committed to improving the proportion of female directors.</p> <p>c. Diversity, complementarity, and implementation of directors comply with and exceed the standards specified in Article 20 of the Corporate Governance Principles of China Airlines. In the future, the board of directors will continue to update its diversified policies according to board operations, operation style, and development needs, including but not limited to the standards of basic conditions and values and professional knowledge and skills. This can ensure that board members generally have the necessary knowledge, skills, and literacy to perform their duties.</p>																				
(2) In addition to the establishment of the Remuneration Committee and Audit Committee as required by law, did the Company establish committees with other functions of its own accord?	✓		(2) In addition to setting up the Audit Committee and the Remuneration Committee according to law, to improve the risk management of the Company, the Company has voluntarily set up a Risk Management Committee with five directors (including three Independent Directors) as members. Meetings are held on a quarterly basis according to the organization regulations approved by the Board of Directors. The Committee responds to the Board of Directors and assists it in reviewing the establishment, implementation outcomes, and response measures of the Company's management strategies for overall finance, economy, flight safety, and other risks. It then submits its conclusions and recommendations to be resolved by the Board of Directors. Good operational effectiveness has been achieved.																				No Difference
(3) Has the Company formulated guidelines on performance evaluation and evaluation methods for the Board of Directors and does it evaluate its performance regularly each year? Furthermore,	✓		(3) The Company approved the "Regulations Governing the Board Performance Evaluation" in the 8th meeting of the 21st Board of Directors on November 7th, 2019. An internal evaluation of the Board's performance is made at the end of each year. The evaluation is divided into the performance evaluation of the entire Board of Directors, individual Board members, and functional committees. The evaluation shall be completed by the end of January of the following year. The outcomes shall be submitted by the Human Resources Department to be reported at the Board meeting held by the end of March. The evaluation shall be conducted every three years by an external, professional, and independent organization or a team of experts and scholars. The results will be applied in deciding directors' remuneration and nomination while renewing their performance.																				No Difference
			The Company completed the 2022 Board Performance Evaluation in accordance with the above regulations, which has been reported at the 9th meeting of the 22nd Board of Directors on March 9, 2023. Details are disclosed on the Company's official website.																				
			The external evaluation has been completed in 2020.																				

Item of Evaluation	Status of Implementation			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx-Listed Companies and Reasons																														
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does it report the evaluation outcomes to the Board of Directors and use them as references for deciding on the remuneration of individual directors and nomination for continuing terms as directors?																																		
(4) Does the Company periodically assess the independence of external CPAs?	✓		<p>(4) The Audit Committee and the Board of Directors of the Company regularly assess the independence and competence of the accountants each year in accordance with the Company's Corporate Governance Principles, completing the "Accountant Independence Evaluation Form" and acquiring the "Accountant Independence Declaration". The evaluation results are as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2">Item Assessed</th> <th colspan="2">Assessment Results</th> <th rowspan="2">Conforms to independence</th> </tr> <tr> <th>Yes</th> <th>No</th> </tr> </thead> <tbody> <tr> <td>1. Issued an accountant independence declaration</td> <td>✓</td> <td></td> <td>Yes</td> </tr> <tr> <td>2. Has not gone seven continuous years without changing accountants</td> <td>✓</td> <td></td> <td>Yes</td> </tr> <tr> <td>3. Not served as a company director or manager</td> <td>✓</td> <td></td> <td>Yes</td> </tr> <tr> <td>4. Not a shareholder of the Company and has never been on the payroll</td> <td>✓</td> <td></td> <td>Yes</td> </tr> <tr> <td>5. The accounting firm for which they work is not a company-affiliated enterprise</td> <td>✓</td> <td></td> <td>Yes</td> </tr> <tr> <td>6. Has not provided any non-auditing services to the Company that could affect complete independence</td> <td>✓</td> <td></td> <td>Yes</td> </tr> </tbody> </table> <p>After the assessment by the Company, accountants Lee, Kuan-Hao and Cheng, Shih-Ran of Deloitte & Touche both conform to the above assessment standards for independence and are suitable to act as CPAs for this company. After the 7th meeting of the 22nd Audit Committee on March 9, 2023, a report was made for the 9th meeting of the 22nd Board of Directors on the appointment of accountants.</p>	Item Assessed	Assessment Results		Conforms to independence	Yes	No	1. Issued an accountant independence declaration	✓		Yes	2. Has not gone seven continuous years without changing accountants	✓		Yes	3. Not served as a company director or manager	✓		Yes	4. Not a shareholder of the Company and has never been on the payroll	✓		Yes	5. The accounting firm for which they work is not a company-affiliated enterprise	✓		Yes	6. Has not provided any non-auditing services to the Company that could affect complete independence	✓		Yes	No Difference
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4. Does the TWSE/TPEx- listed company have in place an appropriate number of qualified corporate governance officers and a designated chief corporate governance manager to be responsible for corporate governance-related matters? (This is inclusive of but not limited to providing directors and supervisors with the information required to conduct business, assist directors, and supervisors in: legal compliance, handling matters related to board meetings and shareholders' meetings that are in accordance with law as well as preparing minutes of the board and shareholders' meetings.)	✓		<p>(1) The Company approved the establishment of the Chief Corporate Governance Officer at the 6th meeting of the 21st Board of Directors on May 8, 2019, which is served by the Vice President Chien, Feng-Nien, who has professional qualifications and conducts legal-related matters as head of the department for more than three years. The Chief Corporate Governance Officer's main duties include (1) handling relevant meeting affairs of the Board of Directors and Shareholders Meetings in accordance with law, (2) generating minutes of the Board meetings and Shareholders' Meetings, (3) assisting directors in assuming their positions and continual education, (4) providing directors with the information required to perform their duties, (5) assisting directors in complying with laws and regulations, and (6) other matters related to laws and regulations, the Company's Articles of Incorporation, or contracts.</p> <p>Due to the chief corporate governance manager Chien, Feng-Nien has applied for retirement, dismissed his chief corporate governance manager (internal title: Company Secretary) duty, effective from November 30, 2022. Approved by the resolution of the 7th meeting of the 22nd session of the board held on November 9, 2022.</p> <p>Considering the authority and qualification requirements of the chief corporate governance manager, the Administration Division Vice President Hui-Na Huang, who has financial expertise and more than three years of governance experience, concurrently serving as the Company Secretary was effective starting November 30, 2022. Approved by the resolution of the 7th meeting of the 22nd session of the board held on November 9, 2022.</p> <p>(2) The Chief Corporate Governance Officer supervises concerned units in implementing corporate governance matters:</p> <p>A. The Chief Corporate Governance Officer focuses on the following matters that are handled by the personnel of the Board of Directors Business Task Force when handling matters related to the Board of Directors and Committees (including preparing the meeting minutes). The officer also assists the directors in handling their positions, legal compliance and continual education, and providing them with the information required to conduct the following:</p> <ol style="list-style-type: none"> 1. Notifying respective members of meetings seven days prior to the convening of meetings of Board of Directors and Committees, with cause(s) or subject(s) of the meeting and sufficient meeting materials attached. Having the minutes of each meeting signed or sealed by the Chairman with every meeting being recorded and distributed to the members of the meeting within 20 days of the meeting. 2. Providing new training to first-time directors, introducing them to the Company's business, organization and other matters needing attention, and providing the newly elected directors with regulatory guidance manuals regarding insiders and other directors. These actions are taken in order to assist them in taking office and ensuring legal compliance.; Moreover, officers assist directors in completing annual training courses in accordance with the Company's business characteristics and the directors' requirements. 3. Providing necessary company information to the directors, maintaining cordial communication and exchange between the directors and supervisors, and assisting in arranging communication meetings between independent directors and chief audit executive, CPAs, or other internal units to facilitate the conduct of business by independent directors. <p>Amending internal regulations related to corporate governance in cooperation with the latest laws and regulations relevant to the Company's field of business and corporate governance as well as submitting amendments to the Board of Directors for resolution.</p> <p>B. In relation to the Company's registration and change of registration, the Administration Division is responsible for completing the relevant registration with the competent authority within the time limit for matters requiring registration or changes to registration matters of the Company.</p>	No Difference																														

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			<p>C. In addition, the Finance Division is responsible for the handling of matters related to shareholders' meetings (planning and convening of shareholders' meetings, the preparation of meeting minutes, and other stock affairs-related business). It also provides sufficient information to the shareholders to ensure that the shareholders' rights and interests are well protected.</p> <p>(3) From January 1, 2022 to April 2, 2023, the Chief Corporate Governance Officer has attended the following courses:</p> <table border="1"> <thead> <tr> <th>Sponsoring Organization</th> <th>Course</th> <th>Date(s)</th> <th>Training hours</th> </tr> </thead> <tbody> <tr> <td>Taiwan Corporate Governance Association</td> <td>Global Risk Perception - Opportunities and Challenges in the Next Decade and 2030/2050 Net Zero Emissions</td> <td>2022/05/09</td> <td>3hr</td> </tr> <tr> <td>Taiwan Corporate Governance Association</td> <td>Only way to sustainable management of enterprises - External innovation</td> <td>2022/08/09</td> <td>3hr</td> </tr> <tr> <td>Taiwan Corporate Governance Association</td> <td>Fubon Insurance ESG trends and risk management seminar</td> <td>2022/11/03</td> <td>3hr</td> </tr> <tr> <td>Securities and Futures Institute</td> <td>Publicly traded and OTC companies - Seminar on derivatives trading strategy and market outlook</td> <td>2022/11/11</td> <td>3hr</td> </tr> </tbody> </table>	Sponsoring Organization	Course	Date(s)	Training hours	Taiwan Corporate Governance Association	Global Risk Perception - Opportunities and Challenges in the Next Decade and 2030/2050 Net Zero Emissions	2022/05/09	3hr	Taiwan Corporate Governance Association	Only way to sustainable management of enterprises - External innovation	2022/08/09	3hr	Taiwan Corporate Governance Association	Fubon Insurance ESG trends and risk management seminar	2022/11/03	3hr	Securities and Futures Institute	Publicly traded and OTC companies - Seminar on derivatives trading strategy and market outlook	2022/11/11	3hr	
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5. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers, and suppliers) and set up an area dedicated to stakeholders on the Company website? Does the Company respond appropriately to corporate social responsibility issues that stakeholders consider important?	✓		<p>The Company identifies stakeholders in accordance with the five principles of the AA1000 Stakeholder Engagement Standard (SES). To fully and effectively communicate with stakeholders, a spokesperson and "Stakeholders Section" have been created on the Company's official website to provide contact information of the units associated with various issues, so as to facilitate stakeholders' interaction with respective personnel working on relevant issues (including contact personnel, e-mails, and telephone numbers). A webpage for communication with stakeholders has been created on the corporate social responsibility website, explaining stakeholders' issues of concern, communication channels, response frequency, and communication results. The communication situation with various stakeholders is also reported to the Board of Directors every year. The outcomes from its implementation since 2022 have been reported at the 8th meeting of the 22nd Board of Directors on January 10, 2023.</p> <p>Relevant content and frequency of the actual implementation show proper responses to various issues that include corporate social responsibility. See the following for details:</p> <p>(1) Company website@stakeholders section: https://www.china-airlines.com/tw/en/about-us/stakeholder</p> <p>(2) Company Corporate Social Responsibility (CSR) website -- stakeholder engagement: http://calec.china-airlines.com/csr/en/management_interested.html</p> <p>(3) Explanatory table:</p> <table border="1"> <thead> <tr> <th>Item Category</th> <th>Focus of Communication</th> <th>Contact Person</th> <th>Channel of Communication</th> <th>Frequency</th> <th>Result of Communication</th> </tr> </thead> <tbody> <tr> <td rowspan="4">Employees</td> <td rowspan="4"> <ul style="list-style-type: none"> Customer satisfaction Occupational safety and health Talent attraction, cultivation, and retention Labor relations and communication </td> <td rowspan="4">Human Resource Div. Manager Lin Tel: +886(0)-3-3998917</td> <td>Labor-Management Conference</td> <td>Four to six times per year</td> <td rowspan="4"> 1.Customer Satisfaction: The employee engagement survey is conducted every two years, and the 2023 survey result was 7.8 (out of 10 points), which is higher than the previous survey result. 2.Occupational safety and health: The frequency severity index of occupational accidents dropped from 0.22 to 0.16, a decrease of 27.2%; the Taoyuan area of the head office obtained the ISO45001:2018, CNS45001:2018, and TOSHMS certification after the re-inspection in 2022. 3.Talent attraction, cultivation, and retention: Committed to the training and cultivation of employees, with an amount of about NT\$230 million in 2022. 4.Labor relations </td> </tr> <tr> <td>Union</td> <td>Real time</td> </tr> <tr> <td>Employee concerns mailbox (Wecare listens mailbox, Speak Out employee communication mailbox, Team+ real-time information platform)</td> <td>Real time</td> </tr> <tr> <td>Website for retired employees and those who have left employment</td> <td>Real time</td> </tr> </tbody> </table>	Item Category	Focus of Communication	Contact Person	Channel of Communication	Frequency	Result of Communication	Employees	<ul style="list-style-type: none"> Customer satisfaction Occupational safety and health Talent attraction, cultivation, and retention Labor relations and communication 	Human Resource Div. Manager Lin Tel: +886(0)-3-3998917	Labor-Management Conference	Four to six times per year	1.Customer Satisfaction: The employee engagement survey is conducted every two years, and the 2023 survey result was 7.8 (out of 10 points), which is higher than the previous survey result. 2.Occupational safety and health: The frequency severity index of occupational accidents dropped from 0.22 to 0.16, a decrease of 27.2%; the Taoyuan area of the head office obtained the ISO45001:2018, CNS45001:2018, and TOSHMS certification after the re-inspection in 2022. 3.Talent attraction, cultivation, and retention: Committed to the training and cultivation of employees, with an amount of about NT\$230 million in 2022. 4.Labor relations	Union	Real time	Employee concerns mailbox (Wecare listens mailbox, Speak Out employee communication mailbox, Team+ real-time information platform)	Real time	Website for retired employees and those who have left employment	Real time	No Difference		
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Item of Evaluation	Status of Implementation						Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx-Listed Companies and Reasons		
	Yes	No	Brief Explanation						
						and communication: In addition to stipulating policies prohibiting discrimination, the Company has diverse communication methods and measures for filing grievances. The statistics on handling grievances are also disclosed. There were 6 labor-management meetings in 2022, and the process was peaceful without quarrels.			
			Customers	<ul style="list-style-type: none"> •Fleet development and innovation •Green service and sustainable dining •Information security •Aviation safety management •Privacy management 	Passenger Service Passenger dedicated phone line: +886(0)-2-4129000 Cargo Service Tel: +886(0)-3-3998262 Aircraft Maintenance Manager Tao Tel: +886(0)-3-3987215	Customer satisfaction surveys Global business meetings Taiwan district business meetings Discussions with travel agencies Company website, industry sustainability network, Facebook, e-mail, and message Customer-service hotline Corporate customer visits	Real time Annually Twice per year Occasional Real time Real time Occasional	2022: 1. Passenger satisfaction rate was 90.5% 2. Cargo satisfaction rate was 89.5% 3. Maintenance factory satisfaction score was 8.8 (Note: highest score is 10)	
			Investors	<ul style="list-style-type: none"> •Governance and ethical management •Financial performance •Fleet development and innovation •Climate change mitigation and adaptation 	Vice President, Corporate Communications Office and spokeswoman Lu, Shwu-Huoy e-mail: tpeprci@china-airlines.com Vice President, Finance Div. Wang, Wei e-mail: tpeaf@china-airlines.com Finance Div. Mr. Yang Tel: +886(0)-3-3998331	Shareholders' meeting Shareholder hotline/mailbox Corporate customer hotline Corporate customer hotline	Annually Real time Real time Annually	1. Continues to announce and respond with operation-related results according to laws, regulations, and investors' demand. 2. At the shareholders' meeting held on May 26, 2022, shareholders raised questions about the conversion of passenger planes to cargo planes, share price, and employee benefits. All matters asked were answered by the chairman in person or by designated personnel. 3. On June 10 and December 9, 2022, the Company was invited to attend a conference held by a brokerage firm, during which the Company explained its overall operations and the outlook for the post-pandemic.	

Item of Evaluation	Status of Implementation						Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx-Listed Companies and Reasons	
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					Corporate information meeting	Occasional	4.The 2021 operations showed resilience amid difficulties faced by the industry during the pandemic, but the EBITDA was still positive, which was in stark contrast to the major losses suffered by other international airlines. Taiwan Ratings announced in October 2022 that the Company's long- and short-term credit ratings were "twBBB+/twA-2", with a "stable" outlook.	
			Partners (Suppliers)	<ul style="list-style-type: none"> •Sustainable supply chain management •Information security •Privacy management •Occupational safety and health 	General Products Administration Div. Mrs. Xiao Tel: +886(0)-3-3999143	Telephone, e-mail	Occasional	1. The average sustainability risk survey score for 2022 is 92, which is higher than the target score set by China Airlines. Held Supplier Conference at the end of 2022. 2. Convened communication meetings on the value chain environmental protection operations of the Group in 2022.
					Aircraft Parts Engineering Div. Mr. Lee Tel: +886(0)-3-3834251 Ext.7512	Consultative conferences	Occasional	
					e-Shopping/Duty-Free In-Flight Service Supply Chain & Marketing Div. Mrs. Tseng Tel: +886(0)-3-3993913	Business visits	Occasional	
						Site inspections	At least once every 6 months	
			Society	<ul style="list-style-type: none"> •Social contribution and participation •Operational efficiency and resources management 	Corporate Development Office Manager Zhong Tel: +886(0)-3-3998530	Hold activities for the public good; participate in societal activities	Occasional	1. A total of 4,853,610 person-time have benefited from the charity and public welfare organized by China Airlines in 2022. 2. China Airlines regards environmental protection as a focus of corporate operations. There has been no major environmental pollution incident in 2022, and the Company actively promoted energy conservation, carbon reduction, and environmental management operations. Passengers are invited to join the "Eco Travel-Carbon Offset Plan" to put the environmental protection mindset and policy into practice.
					Corporate Communications Office Mrs. Lee Tel: +886(0)-3-3998639	Press releases and messages	Monthly, Occasional	
						Network mailbox	Occasional Daily	

Item of Evaluation	Status of Implementation		Brief Explanation	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No		
6. Has the Company appointed a professional shareholder services agent to handle shareholders' meeting matters?	✓		The Company's professional services organization is CTBC Bank, which has been assigned the task of handling shareholder meeting matters.	No Difference
7. Information disclosure (1) Has the Company created a public website to disclose financial, operational, and corporate governance information?	✓		(1) Dedicated units within the Company provide information to be disclosed on the China Airlines corporate website (http://www.china-airlines.com) regarding marketing, operations, finance, administration, aircraft operations, human resources, training, shareholders' meetings, the annual report, prospectus, and any material information. Through this easily available information, consumers, suppliers, and investors can better understand China Airlines' operations.	No Difference
(2) Has the Company adopted other methods of information disclosure (e.g., setting up an English website, designating a specialist responsible for gathering and disclosing Company information, setting up a spokesperson system, and uploading recordings of investor conferences onto the Company website)?	✓		(2) The Company has set up an English language website, the China Airlines Corporate Website (https://www.china-airlines.com/tw/en), with the office of Public Relations as the spokesperson responsible for gathering and disclosing company information monthly and for posting corporate information to the outside world, including press releases, new interviews, and press conferences.	No Difference
(3) Does the Company publicly announce and register the annual financial report within two months of the end of the fiscal year, and publicly announce and register the first, second, and third quarter financial reports and the monthly operating status earlier than the prescribed time limit?		✓	(3) The Company publicly does not announce and register the annual financial report within two months at the end of the fiscal year, nor does it publicly announce and register the first, second, and third quarter financial reports as well as the monthly operating status earlier than the prescribed time limit.	Even though the Company didn't publicly announce/register the annual financial report and the monthly operating status earlier than the prescribed time limit, all the work has been done within the time regulation.
8. Does China Airlines have other important information to facilitate better understanding of the Company's corporate governance practices (including, but not limited to employee rights, employee care, investor relations,	✓		(1) Employee rights: In addition to obeying the Labor Standards Act, in 2002, the Company signed a collective agreement that remains in force today. Salaries and remuneration, benefits, and insurance are adjusted annually based on the remuneration policy and revenue. There are also procedures for merit pay and higher pay for promotions to select and promote outstanding employees. (2) Employee care in primarily three areas: A. Informational: a. China Airlines has set up a China Airlines electronic bulletin board on the Company's internal information webpage to announce welfare information of the Company (such as childcare measures, various welfare subsidies, complimentary/discounted tickets, and employee stock ownership trust). We have also set up a retirement/resignation section to thoroughly explain various procedures for handling retirement/resignation. In addition, a mailbox for all employees and the Team+ real-time messaging platform has been established to inform employees of important messages. b. Channels such as We care listening mailbox, Speak Out employee communication mailbox, and Team+ real-time messaging platform have been established to provide employees with two-way channels to fully express personal opinions and demands.	No Difference

Item of Evaluation	Status of Implementation		Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	
supplier relations, stakeholder rights, director and supervisor training regimes, risk management policies, and risk measurement standards as well as the implementation of client policies and the Company's purchase of liability insurance for its directors and supervisors?			<p>B. Organizational: Based on the scale and dependencies of each unit in the Company, employee relations departments or dedicated personnel have been established to be responsible for good communication channels and overall management of relations. They assist in publicizing various beneficial policies of the Company and eliminating misunderstandings by improving internal employee satisfaction, cohesiveness, feeling of identification with the Company, and work achievements at appropriate times.</p> <p>C. Systematic: Periodically, labor-management conferences and supervisor-employee communication meetings are held. Employee welfare committee members also participate in meetings with various types of unions and employee representatives to tell employees about related governance actions at appropriate moments. Every resolution gives full respect to employee opinions and interests.</p> <p>(3) Investor relations: The Company has established Rules for Handling Investor Relations to handle all investor concerns or opinions. The company will continue to announce and respond with operation-related results according to laws, regulations, and investors' demand.</p> <p>(4) Supplier relations: In accordance with the Company's Regulations Governing the Procurement and Inspection of General Items, except for patents and emergency procurement, all procurement shall be processed through open tendering. The tender announcement shall be disclosed on the Company's website to establish a transparent, open, fair, and competitive trading environment. At the same time, the Company requires suppliers to issue a "Tenderer Declaration" before bidding, which regulates suppliers must comply with the integrity and ethical requirements, including the principle of conflict-of-interest avoidance, anti-bribery regulations, and supplier integrity as well as requiring suppliers to abide by relevant local laws and regulations.</p> <p>(5) Stakeholder interests: The Company website has a "Stakeholder Contact" and other diverse communication channels and platforms to address all manners of stakeholder complaints and wishes appropriately and effectively.</p> <p>(6) Continual education for directors and supervisors: See P77-78 for details.</p> <p>(7) Status of implementation for risk management policy and risk balance standards: The Company's operations are enormously impacted by both the domestic and international environment. To further improve the risk management system mechanism and reduce the effect created by interplay among risks, the Company has established a Risk Committee answering directly to the Board of Directors. The committee meets once per quarter and issues periodic reports to the Board of Directors. It assists the Board in the oversight of the setting and in the results and adaptive measures related to company risk management strategies. See P.45 for operation details. Moreover, to establish a solid internal governance system, the Company has additionally set up the China Airlines Procedures for Handling Important Internal Information, Ethical Code of Conduct for Directors, Ethical Code of Conduct for Senior Supervisors, and Rules for Employee Conduct in the Course of Work.</p> <p>(8) Implementation of customer policies: The Company takes the initiative to send service satisfaction questionnaires to members' mailboxes (non-members can also fill out the questionnaire on the official website) to obtain passenger experience satisfaction with the Company's passenger flights and their suggestions. A total of 44,065 effective customer satisfaction questionnaires were completed in 2022 with a satisfaction rate of 90.50%. After compiling and analyzing the statistics, the above data have been reviewed and the products and services will be improved, where necessary, to comprehensively enhance customer satisfaction.</p> <p>(9) Company purchases of liability insurance for directors and supervisors: The Company purchased liability insurance for all Directors in 2023 to reduce and diversify the Directors' legal liability risks. Important contents, such as Directors' liability insurance insured amount, coverage, and premium rate, have been reported in the 9th meeting of the 22nd Board of Directors on March 9, 2023.</p>
<p>9. Please elaborate on the improvements made in response to the results of the Corporate Governance Evaluation issued by the Taiwan Stock Exchange Corporate Governance Center:</p> <p>(1) The Company's annual report and website have fully disclosed the specific management goals, current achievements, and other information of the Board members' diversification policy, providing detailed descriptions of the diversification policy and implementation situation. It has also been disclosed that the selection of Board members is based on their abilities while also considering diversity, including background information (for example, age, gender, nationality, race, birth, cultural background, etc.), experience, and skills (for example, in aviation, sea freight, transportation, finance and accounting, law and insurance, academics, electricity, technology, public utilities, etc.). Capabilities also considered are the ability to make judgments and managing a business, lead and make decisions, and have experience in crisis management sufficient to fully demonstrate that the existing Directors have a high standard of cross-industry, diversified, and complementary skills.</p> <p>(2) The Company has set up a Chief Corporate Governance Manager to be responsible for corporate governance related matters. The explanations of the functions and powers of the manager are found in the Company's annual report as well as in the situation on the key business' operation and execution.</p> <p>(3) The Company has its own the "Regulations Governing the Board Performance Evaluation" and completed both the 2022 performance self-evaluation of the Board of Directors and external evaluation of the 2020 Board of Director and Functional Committee. The evaluation results have been published in the annual report and can be found on the website of the Company. In addition, on both the Company's website and the corporate social responsibility website, full disclosure are available to read in (1) the communication situation between the independent directors and the chief audit executive and accountants, (2) the operation status of functional committees other than those required by laws, (3) the implementation status of ethical corporate management, (4) and the information relevant to stakeholder communication.</p> <p>(4) We have formulated the Procedures for Handling Material Inside Information; Ethical Code of Conduct for Directors; Ethical Code of Conduct for Senior Supervisors; and Rules for Employee Conduct in the Course of Work to regulate relevant securities laws and regulations regarding the prevention of insider trading, securities transactions and handling of trade secret and information, and the specific status on the implementation of internal regulations is disclosed on the Company's website.</p> <p>(5) We have established functional committees that are not required by laws, such as the Risk Management Committee, which formulates risk management strategy for financial, economic, and flight risks, implementation practices, and countermeasures, and helps the board examine a variety of key risks to construct a comprehensive risk governance organizational structure and risk control model, and the status of the operation is disclosed on the Company's website.</p>			

3.3.5 Composition, Responsibilities, and Operations of the Remuneration

Committee

The objective of the Remuneration Committee is to assist the Board in implementing and assessing the Company's overall compensation and benefits policy as well as director and manager remuneration.

A. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title (Note 1)	Criteria Name	Professional Qualifications and Experiences	Independence Criteria (Note 1)	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member
Independent Director (Chairman)	Hwang, Chin-Yeong	Please refer to the information of directors and supervisors	In compliance with the independence stated in Note 1	0
Independent Director	Huang, Hsieh-Hsing	Please refer to the information of directors and supervisors	In compliance with the independence stated in Note 1	1
Other	Shen, Hui-Ya	Consultant, Public Service Pension Fund Management Board, Ministry of Civil Service, Examination Yuan Master of Laws, National Chung Hsing University	In compliance with the independence stated in Note 1	1

Note 1: The independence criteria: The members of the Remuneration Committee shall be independent, including, a spouse, relative within the second degree of kinship, but not limited to, whether they are directors, supervisors or employees of the Company or its affiliated enterprise; the number and proportion of shares held by them (or in the names of others); Whether he/she is a director, supervisor or employee of a company with which the Company has a specific relationship (refer to Article 6, Paragraph 1, Paragraphs 5 to 8 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange); and the amount of remuneration received for business, legal, financial and accounting services provided by the Company or its affiliated enterprise in the last two years.

Note 2: The Remuneration Committee is composed of four members. For the Remuneration Committee Charter, please refer to the Company's website: <https://www.china-airlines.com/tw/en/investor-relations/important-company-regulations>

B. Attendance of Members at Remuneration Committee Meetings

The Company's Remuneration Committee has a total of 3 members. The term of the current Committee members is from August 26, 2021 to August 11, 2024.

The Remuneration Committee convened 6 meetings over the past year (from January 1, 2022 to April 2, 2023). Committee member attendance is detailed below:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Independent Director (Chairman)	Hwang, Chin-Yeong	6	0	100%	None
Independent Director	Huang, Hsieh-Hsing	6	0	100%	None
Other	Shen, Hui-Ya	5	0	83%	None

Other mentionable items:

- A. If the Board of Directors declines to adopt or modify a recommendation of the Remuneration Committee, the date of the meeting, session, the content of the motion, resolution by the Board of Directors, and the Company's response to the Remuneration Committee's opinion (if the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be recorded): None.
- B. Resolutions of the Remuneration Committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, the content of the motion, all members' opinions, and the response to members' opinion should be specified: None.

3.3.6 Corporate Social Responsibility and Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies

Item of Evaluation	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Brief Explanation	
1. Has the Company designated and managed full- (or part-) time personnel to implement corporate social responsibility policy with senior management authorized by the Board of Director, and do they give status reports to the Board of Directors?	✓		The Company has set up a Corporate Sustainability Committee in 2014, which is solely responsible for the promotion of sustainability and is the highest governance organization for sustainability governance promotion, with the President sitting as its Chairman. There are six major task forces in the Committee that are based on different aspects of sustainability, namely, "Trust Value Team, Manpower Value Team, Joint Creation Value Team, Environmental Value Team, Social Value Team, and Sustainable Development Foundation Team". Their main responsibilities are strategy formulation, business planning, and promotion of different aspects of sustainability. The teams report the implementation status to the Board of Directors on a regular basis every year in accordance with the Corporate Social Responsibility and Sustainable Development Best-Practice Principles. The results of the 2022 CSR operation and the 2023 CSR operation plan were reported in the 8th meeting of the 22nd Board of Directors on January 10, 2023.	No Difference
2. Based on the materiality principle, does the Company conduct risk assessments on environmental, social, and corporate governance issues related to the Company's operations and formulate relevant risk management policies or strategies?	✓		Our risk management framework is based on the materiality principle to identify both traditional risks and medium-term/long-term strategic risks. All impacts and countermeasures are analyzed and proposed through Risk Identification, Risk Analysis, Risk Assessment, and Risk Control. They then are followed up on and reviewed by the Risk Management Committee under the Board of Directors. The Committee assists the Board of Directors to inspect the strategies, execution results, and countermeasures of each risk management strategy. A responsible unit will be required to control the risks. Safety and operation risks are cross-unit operational risks and shall be handled by the Company's management level. The "Corporate Safety Committee", the "Corporate Sustainability Committee", "Information Security and Personal Information Management Committee", and the "Corporate Environmental Committee" have been established under the President of the Company to be responsible for such risks and report the environmental and energy management performance to the top management on a quarterly basis. In addition, through the "Industry Sustainability Committee" and "Board of Directors and Risk Management Committee" routine meetings, reports have been made to the Directors on environmental and climate risks, opportunity issues, and various responding control operations and development plans.	No Difference
3.Environmental issues (1)Has China Airlines established an environmental management system that is specifically designed with the Company's operations in mind?	✓		(1) Environmental management organization and system A. In 2012, the Company was the first in Taiwan's industry to establish a "Corporate Environmental Committee", in which the President serves as the representative of the top management and the Corporate Safety Office serves as the executive secretary. According to the business attributes, five major environment management committees were established to respectively control and carry out aviation, maintenance and cargo transport service, headquarters and branch administration, environmental, energy, climate change, and other risks as well as opportunity management related affairs of the operational activities. These measures fully cover the corporate business scope. Moreover, based on the fact that aviation fuel is a major energy use of the Company, the Aircraft Fuel Efficiency Group will be reorganized into an independent committee at the same level as the five environmental management committees in 2021 and renamed as the "Aircraft Fuel Management Group". The Corporate Environmental Committee coordinates and integrates various environmental, energy, and climate change risk, opportunity response strategies, and management resources through quarterly management meetings. Relevant important resolutions are also reported to the directors through routine Board meetings and Risk Management Committee meetings. Related important resolutions are also reported to the Directors through routine Board meetings and Risk Management Committee meetings. In addition, the Company has established functional task forces on specific issues, including the Carbon Management Task Force, the Sustainable Alternative Fuels Research Task Force, and the TCFD (Note 1) Task Force, to facilitate cross-unit cooperation and flexible deployment of operational resources. B. China Airlines is the first airline and transport operator in Taiwan to establish a corporate environmental and energy risk management mechanism. In order to integrate environmental protection operations into the daily operational risk management operations of the enterprise, China Airlines has introduced a number of international standard management systems since 2009. It has established and improved the environmental management operation mechanisms of the enterprise, covering risk issues such as greenhouse gases, environmental management, and energy management. The Company has formulated management strategies and action measures for relevant risks and opportunities identified in various aspects of the environment. Beginning in 2017,	No Difference

Item of Evaluation	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons												
	Yes	No	Brief Explanation													
			<p>the Company has introduced life cycle thinking and completed control over every link of the organization's operations. Considering the issues of interest to stakeholders, the Company has further improved the level and perspective of environmental and energy risk management and became comprehensively in line with the standard thinking of international enterprises' sustainable development governance. System standards covered by China Airlines' environmental management mechanism standard are as follows:</p> <table border="1"> <thead> <tr> <th>Standard</th> <th>ISO 14064-1 Greenhouse gas inventory and management system</th> <th>ISO 14001 Environmental management system</th> <th>ISO 50001 Energy management system</th> </tr> </thead> <tbody> <tr> <td>Time of introduction</td> <td>2009 (Note2)</td> <td>2012 (Note3)</td> <td>2013 (Note4)</td> </tr> <tr> <td>Scope</td> <td>(1)Global aviation fuel (2)Ground operations in Taiwan, including CAL Park, maintenance facility, Taipei branch (floors B1, 1, 2, and 9), Songshan Park, and Kaohsiung branch.</td> <td>(1)Aircraft/engine maintenance operation; (2)Flight operation and management; (3)Cargo transport service; (4)Passenger transport service.</td> <td>(1)Aircraft/engine maintenance operation (2)Flight operation and management.</td> </tr> </tbody> </table> <p>Note 1: "TCFD" is the Task Force on Climate-related Financial Disclosures. Note 2: First airline and transport operator in Taiwan, which completed the ISO 14064-1:2018 conversion in 2021. Note 3: First airline in Taiwan, which completed the ISO 14001:2015 conversion in 2017. Note 4: First airline and transport operator in Taiwan, which completed the ISO 50001:2018 conversion in 2019.</p>	Standard	ISO 14064-1 Greenhouse gas inventory and management system	ISO 14001 Environmental management system	ISO 50001 Energy management system	Time of introduction	2009 (Note2)	2012 (Note3)	2013 (Note4)	Scope	(1)Global aviation fuel (2)Ground operations in Taiwan, including CAL Park, maintenance facility, Taipei branch (floors B1, 1, 2, and 9), Songshan Park, and Kaohsiung branch.	(1)Aircraft/engine maintenance operation; (2)Flight operation and management; (3)Cargo transport service; (4)Passenger transport service.	(1)Aircraft/engine maintenance operation (2)Flight operation and management.	
Standard	ISO 14064-1 Greenhouse gas inventory and management system	ISO 14001 Environmental management system	ISO 50001 Energy management system													
Time of introduction	2009 (Note2)	2012 (Note3)	2013 (Note4)													
Scope	(1)Global aviation fuel (2)Ground operations in Taiwan, including CAL Park, maintenance facility, Taipei branch (floors B1, 1, 2, and 9), Songshan Park, and Kaohsiung branch.	(1)Aircraft/engine maintenance operation; (2)Flight operation and management; (3)Cargo transport service; (4)Passenger transport service.	(1)Aircraft/engine maintenance operation (2)Flight operation and management.													
(2)Has the Company endeavored to make more efficient use of resources and use renewable materials that have a lower impact on the environment?	✓		<p>(2)The Company's implementation of environmental and energy performance management mainly promotes various resource conservation and reuse strategies and practices based on the "Environmental and Energy Management Policies", which are listed as follows:</p> <table border="1"> <thead> <tr> <th>Concepts</th> <th>Policies</th> <th>Issues of Concern</th> <th>Plans of action</th> </tr> </thead> <tbody> <tr> <td>Complying with environmental laws and regulations</td> <td>Performing compliance obligations and fulfilling environmental protection and energy conservation responsibilities.</td> <td> <ul style="list-style-type: none"> Comply with environmental regulations Follow international environmental protection trends Fulfill self-management commitments </td> <td> <ul style="list-style-type: none"> Regularly/irregularly check the completeness, timeliness, and compliance of regulations and voluntary commitments, and implement internal and external audits to ensure compliance Participate in domestic and foreign industry platforms (such as IATA, AAPA) and government meetings, and monitor the development trends of domestic and foreign environmental protection and sustainability regulations </td> </tr> </tbody> </table>	Concepts	Policies	Issues of Concern	Plans of action	Complying with environmental laws and regulations	Performing compliance obligations and fulfilling environmental protection and energy conservation responsibilities.	<ul style="list-style-type: none"> Comply with environmental regulations Follow international environmental protection trends Fulfill self-management commitments 	<ul style="list-style-type: none"> Regularly/irregularly check the completeness, timeliness, and compliance of regulations and voluntary commitments, and implement internal and external audits to ensure compliance Participate in domestic and foreign industry platforms (such as IATA, AAPA) and government meetings, and monitor the development trends of domestic and foreign environmental protection and sustainability regulations 	Better than the Principles; management with rolling adjustments and refined SDG short-, intermediate- and long-term environmental energy objective management and operational performance. Reduce the use of single-use plastics, extend the life cycle of goods, and create value from a circular economy.				
Concepts	Policies	Issues of Concern	Plans of action													
Complying with environmental laws and regulations	Performing compliance obligations and fulfilling environmental protection and energy conservation responsibilities.	<ul style="list-style-type: none"> Comply with environmental regulations Follow international environmental protection trends Fulfill self-management commitments 	<ul style="list-style-type: none"> Regularly/irregularly check the completeness, timeliness, and compliance of regulations and voluntary commitments, and implement internal and external audits to ensure compliance Participate in domestic and foreign industry platforms (such as IATA, AAPA) and government meetings, and monitor the development trends of domestic and foreign environmental protection and sustainability regulations 													

Item of Evaluation	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Brief Explanation	
				<ul style="list-style-type: none"> Participate in or respond to international initiatives such as DJSI, CDP, SBTi, and Task Force on Climate-Related Financial Disclosures (TCFD), as well as domestic government and private evaluation and competitions, to promote benchmarking of the industry or across different industries
			<p>Conserving the Earth's resources</p> <p>Establishing environmental and energy management systems, and management performance indicators.</p>	<ul style="list-style-type: none"> Promote environmental and energy management systems, continuously improve environmental performance, and reduce environmental impact Formulate environmental sustainability goals and commitments: <ul style="list-style-type: none"> Net Zero by 2050 SDGs Goals Commitment to forest and biodiversity conservation Keeping track of updates to ISO standards, implementing and perfecting the improvement of enterprise Environmental Management System, EMS (ISO 14001/50001/14064-1) Formulate and review environmental sustainability goals on a rolling basis, including 2050 net-zero, commitment to forest and biodiversity conservation, carbon reduction pathways, and promotion strategy Set management objectives and action plans for environmental protection issues (including climate change mitigation and adaptation, waste management, plastic restriction, resource management, pollution prevention, etc.), and adopt strict

Item of Evaluation	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Brief Explanation	
				<p>supervision and examination</p> <ul style="list-style-type: none"> Build an enterprise “Environmental and energy management information system” to systematically track and control corporate environmental performance
			<p>Improving eco-efficiency</p> <p>Implementing environmental and energy conservation education to foster employees’ environmental awareness.</p>	<ul style="list-style-type: none"> Diverse employee (including those in foreign stations) communication channels to raise environmental awareness Establish an incentive program to motivate employees to propose and implement creative environmental protection solutions <ul style="list-style-type: none"> Carry out environmental education and promotion for employees (including those in foreign stations) and new hires through diverse channels such as online learning systems, physical meetings/seminars /competitions/events, internal/external communication platforms (such as employee mailboxes, official Facebook), including <ul style="list-style-type: none"> Reminder of the environmental impact of business activities and corporate response measures Share international trends and new knowledge on environmental protection Organize quizzes with rewards, satisfaction surveys, etc. to raise employees’ awareness of environment protection, and

Item of Evaluation	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Brief Explanation	
				<p>reward them for providing creative environmental protection measures</p> <ul style="list-style-type: none"> Establish the “Principles of Environmental Protection and Energy Conservation Management in Branch Offices”, and strengthen the quality of the environmental management of foreign stations and raise employees’ awareness of environmental protection through DM conferences and KK meetings.
			<p>Implementing green supply chain management to enhance overall eco-efficiency.</p>	<ul style="list-style-type: none"> Supply chain environmental risk management, negotiation, and inspection. Diverse channels for suppliers to communicate environmental management and impact.
				<ul style="list-style-type: none"> Incorporate environmental sustainability provisions into supplier contracts, and implement a supply chain risk assessment system to identify suppliers’ environmental risks, conduct on-site inspections and development improvement measures Set up a communication platform for product and service suppliers, implement environmental communication, and provide training resources to improve the environmental energy management capacity of the value chain

Item of Evaluation	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Brief Explanation	
				<p>(including group companies)</p> <ul style="list-style-type: none"> Share the actual performance of sustainable aviation fuel (SAF) addition with the industry, government, and academia, and communicate needs and niche of development to promote the formation of Taiwan's SAF development strategy. Environmental protection and sustainability issues are included in the meetings of the group management to communicate annual operational goals.
			<p>Fulfilling social responsibility</p> <p>Creating a low-carbon operating environment to establish continual improvement of energy and environmental performance.</p>	<ul style="list-style-type: none"> Follow the development trends of technology and regulations at home and abroad, and formulate environmental management objectives Promote corresponding environmental protection and energy conservation measures to reduce environmental impact and ensure continuous improvement of environmental performance Use low-carbon and renewable energy <ul style="list-style-type: none"> Based on different business characteristics, such as flight operations, office activities, ground support, passenger/cargo transportation services, maintenance operations, etc., set environmental performance objectives, environmental protection, and energy conservation measures to ensure continuous improvement of environmental performance. Increase the use of low-carbon/renewable energy (such as photovoltaics, sustainable

Item of Evaluation	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Brief Explanation	
				<ul style="list-style-type: none"> aviation fuel, etc.), and promote carbon sink projects, such as planting trees. Promote carbon pricing, strengthen carbon asset management and offset operations, and use actual performance of sustainable aviation fuel (SAF) and its communication platforms to promote the formation of Taiwan's SAF development strategy
			<p>Supporting green design and procurement to promote environmental sustainability.</p> <ul style="list-style-type: none"> Provide environmental sustainability services Raise awareness of green consumption 	<ul style="list-style-type: none"> Take into account the local environmental risks and opportunities when launching new stations, and regularly examine and improve the life cycle operation process to meet service quality and environmental sustainability requirements. Promote green and localized procurement (including food materials), incorporate environmental protection/energy conservation performance into supplier selection and procurement assessment, and reduce upstream and downstream environmental impacts. Integrate supplier selection and

Item of Evaluation	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons											
	Yes	No	Brief Explanation												
			<p>collaboration to promote a circular economy.</p> <ul style="list-style-type: none"> Duty-free sales of eco-friendly and sustainable products, and communicate with travelers through diverse channels to cultivate a green consumption culture <p>In response to the issue of restrictions on single-use plastics that has drawn worldwide attention in recent years, we actively communicate with suppliers about the trends of environmental protection issues, incorporate circular economy thinking into countermeasures, and promote marking as a business that does not directly manufacture or produce goods.</p> <p>The “(Passenger Transportation Service) Waste Working Group”, established in 2019, actively invites services, consumable supplies, and planning and quality assurance units to collaborate with suppliers in the fields of airline catering and cabin cleaning to discuss improvements in the aspects of concept design, monitoring of use, customer communication and end-use, and develops several innovative products through collaboration projects to reduce the use of single-use plastics, extend product life cycle, reduce waste and create business opportunities of a circular economy. For cargo transportation, we also use the plastic film recycling platform promoted by the Environmental Protection Administration to prioritize the purchase and use of tarpaulin made of 40% to 60% of mixed recycled materials, further improving the re-use percentage of packaging plastics.</p> <p>In 2022, we developed a number of eco-friendly server supplies made from recycled materials, such as wrinkled bags and travel bags made from recycled yarns, as well as souvenir boxes made from refurbished food carts, to convert waste into resources and maximize the benefits of recycling.</p>												
(3) Does the Company assess the potential corporate risks and opportunities created by climate change in the present and future and does it take measures to deal with climate-related issues?	✓		<p>(3)The Company's climate change risk and opportunity management is as follows:</p> <p>A. Climate risk and opportunity management mechanisms</p> <p>With respect to specific issues, the Company has established functional task forces under the corporation's Environmental Committee, including the following task forces: Carbon management task force, sustainable alternative fuels research project team, and TCFD work task force, among others, to facilitate cooperation among units and flexible allocation of required resources.</p> <p>B. Climate risk and opportunity response measures</p> <p>Through the carbon management and the TCFD work task forces, the Company identifies its environmental risk opportunity matrix, considers the identification and adjustment of changes in external specifications and technological development of environmental conditions, brings the top nine topics into the scope of corporate environmental risk management, and actively controls the responses. Other issues have also been continuously improved through the operation of the corporate Environmental Management System (EMS). In 2020, the Company achieved the first in the world in the airline industry to complete the independent report of TCFD and submitted it to the Board of Directors' functional group for review. Meanwhile, the report has been published on the CSR website https://pse.is/3cjn8b. The second edition has been released in 2022. Based on the first edition, we reinforce enterprise risk/opportunity management and climate change adaptation and add five core carbon reduction strategies for 2050 net-zero. Other issues continue to improve through the operation of the Enterprise Environmental Management System.</p> <p><u>Climate change goals, and the mitigation and adaptation strategies and actions</u></p> <table border="1"> <thead> <tr> <th></th> <th>Item</th> <th>Goal</th> <th>Implementations in 2022</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Governance</td> <td>Strengthen climate governance operations</td> <td>Report to the Board of Directors on climate governance annually</td> <td>A report on climate governance was presented to the Risk Committee</td> </tr> <tr> <td>Enhance the management,</td> <td>Implement corporate</td> <td>1. Has incorporated the requirements of TCFD and</td> </tr> </tbody> </table>		Item	Goal	Implementations in 2022	Governance	Strengthen climate governance operations	Report to the Board of Directors on climate governance annually	A report on climate governance was presented to the Risk Committee	Enhance the management,	Implement corporate	1. Has incorporated the requirements of TCFD and	No Difference
	Item	Goal	Implementations in 2022												
Governance	Strengthen climate governance operations	Report to the Board of Directors on climate governance annually	A report on climate governance was presented to the Risk Committee												
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Item of Evaluation	Implementation Status						Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Brief Explanation				
			supervision, and cross-departmental operations	governance and comply with green finance requirements	SASB and other related standards	2. Continuous managing the short-term, medium-term and long-term ESG performance	
			Strategy	Promote TCFD framework	Improve and enhance the management of quantitative financial information	1. Promote the SOP operational procedures 2. Continuously promote the cross-unit information operation platform	
				Climate response strategy and management	Enhance the resilience of climate change risk response	1. Integrated climate risk and opportunity issues into the company's overall strategic planning and implemented relevant actions 2. Incorporated the impact of climate change into the company's route planning and operational performance review, and formulated contingency strategies and operational adjustment plans	
				Participate in important engagements	Improve the understanding of international climate change issues and relevant standard requirements	1. Participated in important international and Taiwan climate policy platforms for engagements to grasp policy development trends and the right to speak up 2. Develop accounts to help the industry, government, and academia promote local SAF development strategies. 3. Continue active participation in the IAGOS-PGGM scientific research.	
			Risk Management	Strengthen the carbon risk management mechanism of the corporate value chain	Enhance the resilience of climate change risk response	1. Integrated the environmental risk management mechanism of the corporate value chain, continued to implement and expand the promotion of key suppliers' greenhouse gas surveys and climate and energy risk assessments, extended the detection and management depth of climate risk opportunities, and strengthened the sustainable operation capability in response to extreme climate 2. In response to the requirements of the Financial Supervisory Commission, we have expanded the inventory of GHG emissions of overseas branches and assisted subsidiaries in consolidated financial statements to gradually build greenhouse gas management operations.	
				Strengthen the existing corporate risk management mechanism	Implement risk control and strengthen the emergency response mechanism	Incorporated climate factors into the existing corporate risk management mechanism to strengthen the climate risk/opportunity detection, response and control functions of each unit	
				Prepare for International carbon transition risk	Comply with ICAO, EU and other international carbon reduction standards	1. Participated in international aviation industry carbon offset and reduction programs 2. Continuously strengthening the MRV operations in response to EU ETS, UK ETS, CORSIA and	

Item of Evaluation	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Brief Explanation	
			<p>other mechanisms</p> <p>3. Researched and implemented of carbon rights/emission trading system operations</p>	
			<p>Promote carbon reduction and energy transformation</p> <p>Achieve net-zero emissions by 2050</p>	<p>1. Enhanced power monitoring for energy-consuming equipment / loop by meters</p> <p>2. Continued the implementation of high energy-consuming equipment retirement/replacement</p> <p>3. Evaluated the addition of renewable energy generation facilities such as solar power and increase the installed capacity target. On the basis of the national renewable energy percentage target, we added that the 2020 renewable energy installed capacity should reach 10% of the contracted capacity.</p> <p>4. Continued the operation of energy management system and improved management efficiency</p>
			<p>Metrics and Targets</p> <p>Continuously optimize greenhouse gas inventory</p>	<p>Expand the scope of inventory and improve data quality</p> <p>Continuously implementing the global operation site energy resources survey, the ISO 14064:2018 category 1~6 greenhouse gas inventory, and verification operations inside and outside the company to improve the quality of greenhouse gas emission data.</p>
			<p>Implement carbon reduction targets and KPIs</p>	<p>Achieve the short-term, medium-term and long-term greenhouse gas reduction targets and net-zero by 2050 and pass SBT</p> <p>1. Sign up to support the science-based targets initiative (SBTi).</p> <p>2. Established about 78 KPIs for environmental protection and carbon reduction, and the Corporate Environmental Committee convened by the President will review the effectiveness of the implementation of quarterly</p>
			<p>Achieve aviation carbon reduction targets</p>	<p>Achieve the short-term, medium-term and long-term greenhouse gas reduction targets and net-zero by 2050</p> <p>1. Continuously promoting "fleet renewal", "airframe weight reduction", "flight service optimization" and "maintenance improvement" programs.</p> <p>2. Planning fleet based on medium-term and long-term business growth and carbon reduction trends</p> <p>3. Continuously improving the efficiency of aviation fuel consumption, increasing the loading rate, tracking the development of new technologies and new low-carbon aircraft, and evaluating the introduction of new aircraft</p> <p>4. Continuously promoting sustainable aviation fueling operations and drawing up SAF usage target: 2% use in 2025; 5% in 2030; 40% in 2040; and 65% in 2050.</p>
			<p>Increase fuel efficiency</p>	<p>Improve the efficiency of company operations and</p> <p>1. Continue to promote the implementation of aviation fuel saving. Improve fuel efficiency</p>

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(4) Has the Company compiled data in the past two years on GHG emissions, water usage, and amount of waste? Has it devised policies for energy conservation, carbon emissions reduction, GHG emissions reduction, water conservation, and other waste management?	✓		<p>(4) The Company's environmental/carbon/energy management is as follows:</p> <p>A. Greenhouse gas inventory and verification</p> <p>Since 2009, the Company has actively implemented the ISO14064-1 greenhouse gas management, conducted and organized an inventory of greenhouse gas emissions generated by operations, and carried out a third-party verification.</p> <table border="1"> <thead> <tr> <th colspan="4">Greenhouse gas emissions</th> </tr> <tr> <th>GHG Emissions Category</th> <th>Type</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Category 1</td> <td>Aviation operations</td> <td>5,875,531</td> <td>5,435,050</td> </tr> <tr> <td>Ground operations</td> <td>2,897</td> <td>4,041</td> </tr> <tr> <td>Category 2</td> <td>Ground operations</td> <td>16,697</td> <td>16,468</td> </tr> <tr> <td colspan="2">Total (Tons of CO₂e)</td> <td>5,895,125</td> <td>5,455,559</td> </tr> </tbody> </table> <p>B. Greenhouse gas management and reduction strategy</p> <p>In order to follow the international trends of carbon reduction management, we have referred to the science-based target (SBT) thinking, and become Taiwan's first transportation company in setting voluntary reduction targets for aviation and ground GHG. We signed the scientific-based target initiative (SBTI) in 2022 and set short-, medium- and long-range use targets for sustainable aviation fuel (SAF): add 2% in 2025, 5% in 2030, 40% in 2040, and 65% in 2050. At the same time, we have actively responded to the government's renewable energy policy by building the first solar energy facility in Taoyuan Airport in 2019 and announced in 2022 that we would increase the installed capacity to 10% of the contracted capacity by 2030.</p> <table border="1"> <thead> <tr> <th colspan="2">Carbon reduction goals</th> <th>Target description</th> <th>2022 Achievement rate</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Aviation</td> <td>2023</td> <td rowspan="3">Improving annual aviation fuel efficiency by 1.5% and achieving carbon-neutral growth (CORSA CNG2020) (Achieve net-zero emissions by 2050)</td> <td rowspan="3">99.85%</td> </tr> <tr> <td>2025</td> </tr> <tr> <td>2030</td> </tr> <tr> <td rowspan="3">Ground</td> <td>2023</td> <td>41% reduction in carbon emissions</td> <td rowspan="3">Target achieved</td> </tr> <tr> <td>2025</td> <td>44% reduction in carbon emissions</td> </tr> <tr> <td>2030</td> <td>50% reduction in carbon emissions (Achieve net-zero emissions by 2050)</td> </tr> </tbody> </table> <p>Greenhouse gases emitted by fuel combustion in the aviation industry account for more than 90% of the total emissions. Therefore, we are continuing to promote fleet renewal and fuel efficiency improvement measures through our dedicated "Aircraft Fuel Management Team", which formulates several specific implementation measures to improve the overall fuel consumption performance with its planning, management, and implementation.</p> <p>For ground operations, we continue to implement ISO 50001 energy management. During the design/procurement phase of major energy use, we fully consider the benefits of energy conservation and carbon reduction, and incorporate them into decision-making factors, continuously improve the supervision and measurement practices (such as optimizing energy data collection plans, adding measuring instruments, etc.), improve the level of detail in energy performance management (such as improving the accuracy of relevant variables/static factors), integrate the concerns of stakeholders (such as renewable energy, energy storage systems), and comprehensively improve the completeness and achievement of energy management to create a low-carbon operation and office environment.</p> <p>In 2022, China Airlines promoted 66 ground and in-flight environmental protection and energy conservation measures and 12 flight fuel-saving measures, with a total reduction of 53,750 tons of carbon, at an achievement rate of 138%. In 2023, we will further promote 79 measures, which will have an estimated carbon reduction of 36,100 tons.</p>		Greenhouse gas emissions				GHG Emissions Category	Type	2021	2022	Category 1	Aviation operations	5,875,531	5,435,050	Ground operations	2,897	4,041	Category 2	Ground operations	16,697	16,468	Total (Tons of CO ₂ e)		5,895,125	5,455,559	Carbon reduction goals		Target description	2022 Achievement rate	Aviation	2023	Improving annual aviation fuel efficiency by 1.5% and achieving carbon-neutral growth (CORSA CNG2020) (Achieve net-zero emissions by 2050)	99.85%	2025	2030	Ground	2023	41% reduction in carbon emissions	Target achieved	2025	44% reduction in carbon emissions	2030	50% reduction in carbon emissions (Achieve net-zero emissions by 2050)	No Difference
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In 2019, the Company further responded to Taiwan's green energy policy. It completed the installation of 99 kW solar photovoltaic facilities on the roof of the simulator training building for parallel power generation to support Taiwan's renewable energy through practical actions. In 2019, the Company received the National Renewable Energy Certificate (T-REC) and was awarded two awards, the Bureau of Energy's (MOEA) Conservation Benchmark - Silver Award and Taipei Energy Conservation Leadership Award, supporting renewable energy with real actions. In 2022, the Company received 110 certificates generating a total of 110,000 kWh of power and reducing 55 tons of CO₂e. China Airlines actively implements green energy industry actions. In addition to announcing the renewable energy goals for the national grids in 2022, it is expected to improve the installed capacity to 10% of the contracted capacity by 2030.</p> <p>E.An increase in water resource utilization</p> <p>The total water consumption of the Company in 2022 was 99,207 kWh, an 12% decrease from that in 2021. China Airlines' headquarters park is in a specific area of the airport. The airport management unit collectively applies for and obtains tap water from the water supply unit and pays the sewage treatment fee. The domestic sewage is collected and sent to the domestic sewage treatment plant for treatment. The maintenance facility, Songshan Park, and Taipei branch apply directly for water supply from the water company.</p> <p>In order to reduce associated with water resources, the Company has successively set up water meters at important water line nodes. It tracks and analyzes the direction of the water resource flow and water consumption hot spots and promotes water reduction and recycling measures, including: purchasing water conservation label products, promoting water conservation advocacy, setting up a rainwater recovery system, recycling cooling water, and introducing ECOSHINE, Callington, etc.</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Unit</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Tap water use</td> <td>Kilotons</td> <td>112.77</td> <td>99.20</td> </tr> <tr> <td>Recycled water use</td> <td>Kilotons</td> <td>14.23</td> <td>20.79</td> </tr> <tr> <td>Recycling percentage % (recycled/total tap water use)</td> <td>%</td> <td>12.6%</td> <td>20.9%</td> </tr> </tbody> </table>	Item	Savings	Unit	Carbon reduction (Tonne of CO ₂ e)	Aircraft fuel savings	19,679	Kiloliter	49,809	Ground fuel conservation	87	Kiloliter	227	Energy conservation	1,186	1,000 kilowatt hours	595	Water conservation	4	1,000 kilowatt hours	0.61	Paper conservation	753	Tons	3,118	2022 total carbon reduction			53,750	Item	2022 Targets	Achievements	2023 Expected targets	Aviation fuel efficiency	Improvement of 1.5% over 2021	99.85%	Improvement of 1.5% over 2022	Ground carbon emissions	Reduction of 40% over 2009	>100%	Reduction of 41% over 2009	Water resources	Reduction of 2.9% over 2018	>100%	Reduction of 5% over 2018	Domestic waste	Reduction of 4% over 2018	Target not met	Reduction of 5% over 2018	Hazardous industrial waste	Recycling ratio reached 42%	>100%	Recycling ratio reached 43% over 2018	Paper usage	Reduction of 11% over 2018	>100%	Reduction of 14% over 2018	Item	Unit	2021	2022	Tap water use	Kilotons	112.77	99.20	Recycled water use	Kilotons	14.23	20.79	Recycling percentage % (recycled/total tap water use)	%	12.6%	20.9%	
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			<p>F. Waste Management</p> <p>The Company's waste mainly comes from industrial waste (general/hazardous) and domestic waste generated by ground operations, as well as kitchen waste and toilet cleaning waste generated by catering vendors and cabin services. In order to reduce the environmental impact of the operation, we adopt waste reduction actions based on the waste management classification strategy (as shown in the table below): Refuse, reduce, reuse, and recycle; and the waste is finally sent to the incineration plant also undergoes the process of heat recovery for power generation (Waste To Energy, WTE). In response to the issues of restrictions on single-use plastics and leftover food management that have drawn worldwide attention in recent years, we actively communicate with suppliers about the trends of environmental protection issues, incorporate circular economy thinking into countermeasures, and promote marking as a business that does not directly manufacture or produce goods.</p> <table border="1"> <thead> <tr> <th>Waste Management Principles</th> <th>Actions</th> </tr> </thead> <tbody> <tr> <td>Prevent</td> <td> <ol style="list-style-type: none"> 1. Encourage the use of environmentally certified products when purchasing (e.g., environmental protection, FSC, energy saving, water saving certification, etc.) 2. Optimize the operating system and promote the digitization and paperless process of flight operations, passenger/cargo services, and office activities, such as the cloud bookstore. </td> </tr> <tr> <td>Reduce</td> <td> <ol style="list-style-type: none"> 1. 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			<p>Note 1: The target area for air service waste reduction is mainly cabin waste on return flights to Taiwan, excluding waste during meal preparation.</p> <p>Note 2: Considering the adjustments of food supply for the pandemic, the base year of the target of meal loss management is 2020.</p> <p>The number of flights in 2022 increased by 200% compared with 2021, the overall waste generation increased by 64%, and the recycling rate remained at about 40%. In order to properly dispose of the waste paper meal boxes produced for pandemic control measures, CAL Park collaborated with suppliers in 2022 to recover, clean, and reuse the boxes, which showed the efforts in minimizing environmental impact. The Company also worked with suppliers to develop a number of eco-friendly server supplies made from recycled materials, such as wrinkled bags and travel bags made from recycled yarns, as well as souvenir boxes made from refurbished food carts, to convert waste into resources and maximize the benefits of recycling.</p> <p>Waste Information (Unit: tons)</p> <table border="1"> <thead> <tr> <th rowspan="3">Item</th> <th colspan="3">Service Level</th> <th rowspan="3">Handling method</th> </tr> <tr> <th colspan="3">Generation</th> </tr> <tr> <th>2020</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td rowspan="2">General waste</td> <td>116</td> <td>94</td> <td>113</td> <td>Incineration - Including energy recovery</td> </tr> <tr> <td>425</td> <td>410</td> <td>629</td> <td>Incineration - Without energy recovery (delivered to the airport incinerator according to the regulations, and the addition of power generation facilities has been recommended).</td> </tr> <tr> <td>Resource recycling</td> <td>581</td> <td>507</td> <td>622</td> <td>Recycling - Resource recovery</td> </tr> <tr> <td rowspan="2">Food waste/scraps</td> <td>283</td> <td>68</td> <td>142</td> <td>Recycling - Composting / Pig farming</td> </tr> <tr> <td>735</td> <td>177</td> <td>632</td> <td>Incineration - Including energy recovery (according to quarantine requirements)</td> </tr> <tr> <td rowspan="2">Post-process for hazardous operational waste</td> <td>13</td> <td>12</td> <td>12</td> <td>Other disposals - Thermal treatment (such as electroplating sludge)</td> </tr> <tr> <td>1</td> <td>1</td> <td>2</td> <td>Other disposals - Offshore treatment (cadmium-containing batteries)</td> </tr> <tr> <td rowspan="2">Post-process for non-hazardous operational waste</td> <td>100</td> <td>100</td> <td>147</td> <td>Recycling - Resource recovery (such as waste lubricating oil)</td> </tr> <tr> <td>85</td> <td>64</td> <td>47</td> <td>Other disposals - Thermal treatment (such as waste paint)</td> </tr> <tr> <td>Total</td> <td>2,339</td> <td>1,433</td> <td>2,346</td> <td></td> </tr> </tbody> </table> <p>Note 1: All disposal methods are entrusted to third-party qualified vendors for removal and off-site treatment, and are verified in accordance with the contract to ensure compliance with regulations.</p> <p>Note 2: The scope of service level statistics: maintenance park, China Airlines Park, Kaohsiung branch and 4 stations (Taoyuan, Songshan, Kaohsiung, Tainan) VIP service and in-flight service at Taoyuan Airport; cargo service will be covered from 2020.</p>	Item	Service Level			Handling method	Generation			2020	2021	2022	General waste	116	94	113	Incineration - Including energy recovery	425	410	629	Incineration - Without energy recovery (delivered to the airport incinerator according to the regulations, and the addition of power generation facilities has been recommended).	Resource recycling	581	507	622	Recycling - Resource recovery	Food waste/scraps	283	68	142	Recycling - Composting / Pig farming	735	177	632	Incineration - Including energy recovery (according to quarantine requirements)	Post-process for hazardous operational waste	13	12	12	Other disposals - Thermal treatment (such as electroplating sludge)	1	1	2	Other disposals - Offshore treatment (cadmium-containing batteries)	Post-process for non-hazardous operational waste	100	100	147	Recycling - Resource recovery (such as waste lubricating oil)	85	64	47	Other disposals - Thermal treatment (such as waste paint)	Total	2,339	1,433	2,346		
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<p>4. Social issues</p> <p>(1) Has the Company established management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?</p>	✓		<p>1. In the area of comprehensive management systems and organizational capacity, the Company not only abides by the Employee Code of Conduct and Employee Work Standards set forth in various labor laws, but also refers to the Universal Declaration of Human Rights, the United Nations Global Compact, the International Labor Organization's basic compact on core labor standards, the UN Guiding Principles on Business and Human Rights, and local laws and regulations. The company has established a Human Rights Policy based on the aforementioned norms as guiding principles for the Company's management.</p> <p>2. "Convention on the Rights of Persons with Disabilities":</p> <p>China Airlines is committed to improving website use. Our new official website provides users with a more user-friendly, harmonious, and easy-access experience. Due to the special needs of the visually impaired, we have significantly improved assistive technology. We follow the Web Content Accessibility Guidelines of the World Wide Web Consortium (W3C) and adopt them as the best practice and regulatory standards to enhance our experience in this area. We also provide various kinds of wheelchairs, guide dogs, and other supporting measures, as well as airport personnel escort services to resolve the problem of boarding for people with various disabilities. (under the "Accessibility Services" on the CAL website)</p>	No Difference																																																									

Item of Evaluation	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Brief Explanation	
(2) Does the company establish and implement reasonable employee welfare measures (including compensation, vacation, and other benefits) that appropriately reflect the operating performance or results through employee compensation?	✓		Employees are the most important assets of a company. The Company has improved planning and setting the standards for the implementation of salary, work bonuses, flight-safety bonuses, vacation, preferential air tickets, and several welfare measures. The Company also offers performance bonuses, annual bonuses, year-end bonuses, promotions, and employee compensation with reference to the performance of employees at the end of each fiscal year and according to the Company's annual profit status. The Company takes this opportunity to care for its employees and treat them as the core of its sustainable operations. The average salary for all employees of the Company increased by about 4.55% in 2021.	No Difference
(3) Does the Company provide employees with a safe and healthy work environment and regularly implement health and safety education programs for employees?	✓		<p>1. For changing and escalating COVID-19 pandemic, China Airlines has prioritized the protection of employees' health, integrated and established a cross-unit command system and operating procedures for the joint response, and encouraged all employees to get vaccinated. We hold weekly pandemic control meetings, and heads of relevant first-tier units, occupational safety and medical units are invited to discuss and cooperate with the Central Epidemic Command Center of the Executive Yuan to carry out pandemic control measures and adjust the responses on a rolling basis. We have built a crew health management reporting system, a vaccine registration system for all crew members to implement vaccination status control, and a pandemic management system to track the health status of confirmed cases and close contacts, and provided statistical analysis data for immediate reference and response by the management. Starting October 13, 2022, we have cooperated with the Central Epidemic Command Center to gradually loosen various pandemic control measures, and continued to promote self-management to maintain the health of each individual employee, family members and co-workers.</p> <p>2. China Airlines' 2022 disabling injury frequency rate (FR) for all occupational accidents was 1.19, and the frequency severity index (FSI) was 0.16, which was lower than the average FR (2.89) and FSI (0.39) of the domestic air transport industry between 2020-2022. Analysis showed that they were mostly caused by unsafe behaviors, and we will continue to implement occupational accident prevention measures and related education and training.</p> <p>3. Our head office in Taoyuan obtained the ISO45001:2018, CNS45001:2018 and TOSHMS certifications after the re-inspection in 2022. The scope of the verification covers the operation management of air transportation, cargo and passenger transportation services, and the risk classification is carried out based on each operation type and job category. The purpose is to improve operation safety and implement risk control measures of safety and health planning, implementation, inspection and improvement, and provide employees with a safe, healthy and reassuring workplace suitable for the new routines after the pandemic.</p> <p>4. With exchanges around the world booming, the risk of cross-border transmission of infectious diseases has also increased. Only through the implementation of aviation epidemic prevention can the threat of foreign infectious diseases be reduced. China Airlines' various pandemic control measures are in full compliance with the guidelines of the Taiwan Centers for Disease Control. We also strengthen the cleaning and disinfection of aircraft, and distribute medical pandemic control supplies to all flight crew members. Crew members who stop in foreign stations adopt quarantine and protection measures comparable to the domestic home quarantine measures, which are subject to the crew health control measures approved by the Civil Aeronautics Administration.</p> <p>5. In order to create a safe work environment, we ask our employees to adopt pandemic control measures based on the relevant standards set by the government, and reinforce disinfection at work, flow control in the office, social distancing and mask mandate, and replace large on-site meetings or courses with online options to provide our employees with a worry-free workplace. In response to the 2022 Airline Infectious Disease Control and Contingency Management Plan introduced by the Civil Aeronautics Administration of the Ministry of Transportation and Communications and the Occupational Safety and Health Administration of the Ministry of Labor, we have reviewed and adjusted the three main pandemic control measures, "Routine Preparation", "Workplace Safety and Health" and "Emergency Response" and their 25 indicators. We actively implement aviation pandemic control measures to ensure the health and rights of passengers and provide employees with a safer working environment.</p> <p>6. In order to enhance corporate image and fulfill corporate social responsibilities, we actively participate in the government's pandemic control policies. We implement a flu vaccination program every year, and commission external contracted medical institutes to carry out on-site administering of influenza vaccines. Considering the nature of our work which has many shifts, we provide diverse vaccination channels for our employees. In 2022, our employees received a total of 2,643 doses of influenza vaccines.</p>	No Difference

Item of Evaluation	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Brief Explanation	
			<p>7. In order to reduce the infection severity and proliferation of the coronavirus pandemic, we apply vaccination which can improve protection, reduce the occurrence of infection, severe diseases and death, and establish community immunity. We follow the government's various pandemic control regulations, actively arrange for employees to be vaccinated against the novel coronavirus, and provide measures such as vaccination leave to increase their willingness to take the vaccine, which encourages employees to protect their own and their families' health to jointly create a good workplace environment. A total of 30 on-site COVID-19 vaccination activities were held during the year. The vaccination rate of China Airlines employees receiving three doses of the COVID-19 vaccine was 98.07%, and the vaccination rate of the second booster shoot was 46.54%.</p> <p>8. We have a medical affairs department, which arranges occupational health nurses and on-site physician services according to law, promotes the four major plans of labor health protection, assesses relevant hazards and high-risk groups, and formulates improvement measures to ensure the safety and health of employees. For the welfare of our employees, we provide health checkup services with items and frequencies that exceed those required by law. Through the health check results and the health management system, we carry out comprehensive health control measures based on the type and degree of abnormalities to achieve effective, systematic, and continuous management, fulfilling the principles of "prevention better than cure". We have organized diverse health promotion activities based on health examination results, employees' needs, and seasonal changes, such as "Crew quarantine management system and COVID-19 vaccine", "Long-term care service promotion", "Weight loss seminar - Popular intermittent fasting methods", etc., to enhance employees' health knowledge and mindset of preventive health care. We offer diverse health care solutions to comprehensively protect employees' health at work, further fulfilling our corporate social responsibility.</p>	
(4) Has the Company established an effective career skill development training program for employees?	✓		In order to nurture the Company's human resources, it has a Training Advisory Committee, which is responsible for the planning of annual education and training for all colleagues, including training for new hires and on-the-job training for general employees, professional development courses, the training of management capacity of supervisors, etc., Simultaneously, to deepen the Company's various levels of management professionals and broaden the horizon of potential talents, strategic and management occupational training was held on a regular basis to sharpen employees' necessary knowledge and skills. These training are in accordance with the Company's operational development strategy. In addition, since 2009, the Company has established a Management Talent Training and Development System to nurture talents with international vision and management capabilities. This helps strengthen managerial knowledge of management professionals through job experience, management course training, and rigorous assessment systems. As of today, more than 100 outstanding management professionals have been trained and are now serving in key units in Taiwan and foreign branches. In 2022, a total of NT\$17 million was invested in training and development. The total number of training hours exceeded 48,376 hours.	No Difference
(5) In regards to customer health and safety, customer privacy, marketing and labeling of the products and services, does the Company follow relevant regulations and international standards, and formulate relevant policies and complaint procedures for consumer rights protection?	✓		The Company has stipulated service commitments, transportation terms and conditions, and disclaimer clauses in accordance with the law. Regarding consumer rights policies, the Company has also posted and shared on the Company's website the information security policy with its "privacy protection policy" and "privacy protection statement". It is committed to protecting the privacy of all customers' personal information. In addition, to protect the rights and interests of passengers, reservation and ticket-related rules for flight changes have been clearly mentioned in the FAQs on the official website. Furthermore, the Company has in place consumer complaint procedures to provide consumers with complaint channels for products and services, including on the Company's website (also found in the stakeholders' section, customer feedback, and service satisfaction survey), Facebook fan page, customer service e-mail, and global branches' addresses and phone numbers. Consumers may also send letters to the Company directly. All complaints will be replied to after processing.	No Difference
(6) Has the Company formulated supplier management policies that require suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and their implementation status?	✓		The Company has formulated the "Supplier Code of Conduct" which specifies that suppliers shall provide a healthy and safe working environment and shall ensure that workers respect each other, enjoy dignity and fairness, and abide by professional ethical standards. In any case, when providing products and services, suppliers shall strictly comply with the legal, ethical requirements and their commitment to be responsible to the society and environment. If the Code is violated, the Company may terminate the business relationship between the two parties.	No Difference

Item of Evaluation	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Brief Explanation	
			<p>In accordance with the "Sustainable Supply Chain Management Policy Statement" of the Company, the Company has requested that every supplier sign the "Supplier Code of Conduct" when making a tender, jointly undertaking to create a sustainable industrial environment since 2016.</p> <p>We have developed our survey questionnaire (SAQ) with reference to the new GRI standards, ILO, UNGC, DJSI, CDP and the United Nations Declaration of Human Rights and other relevant international initiatives and evaluations. Since 2015, the Company has been conducting risk surveys on sustainable supply chains. In 2022, the Company has conducted risk surveys on 8 key suppliers, audited 26 key suppliers in the past 3 years, and hold supplier education and training to ensure that the Company has a full understanding of risky suppliers and to reduce the risk of sustainable supply chains.</p>	
5. Does the Company refer to internationally accepted report preparation standards or guidelines to prepare its Corporate Social Responsibility (CSR) Report and other reports that disclose the Company's non-financial information? Has the aforementioned report been assured, verified, or certified by a third-party verification unit?	✓		The production of the sustainability report follows the International IR Framework, the "Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies", the GRI 2: General Disclosures 2021 of the Global Sustainability Standards Board, the sustainability indicators of the Sustainability Accounting Standards Board (SASB) of the IFRS Foundation, the Task Force on Climate-related Financial Disclosures (TCFD) and the UN Global Compact. KPMG is expected to complete the verification of the 2022 Sustainability Report in May 2023 based on the GRI standards and ISAE3000 assurance standards and issue a third-party assurance statement, which will be disclosed on the Company's corporate sustainability web page.	No Difference
<p>6. If the Company has drawn up a code for CSR based on the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any differences between the code and the Best-Practice Principles:</p> <p>To fully implement the scope of corporate social responsibility, comply with the government's direction of CSR promotion, and accord with international practice, the Company has added to and amended the Company's Corporate Social Responsibility and Sustainable Development Best-Practice Principles on March 15th, 2022 that are based on the revised Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies. Through this CSR's highest guiding principle, we have comprehensively reviewed the Company's operational constitution, reflected the management and execution aspects, and strived to fulfill corporate social responsibility in three major aspects: environmental, social, and governance (economic) (ESG). There was no operational difference this year.</p>				
<p>7. Other important information for facilitating the understanding of CSR and its implementation:</p> <p>In 2022, we stayed committed to the sustainability strategy roadmap we have created for years by implementing programs such as "Promoting the international development of local education", "Enhancing the international visibility of Taiwan's local brands", and "Promoting equal opportunities for disadvantaged groups in society". For years, we have conducted welfare activities for disadvantaged groups in rural areas, organized course sessions on sharing aviation knowledge, and responded to international events with transportation or donation of medical supplies. We take specific actions to fulfill the SDG3, SDG4, and SDG8 goals to promote the local brands of Taiwan and facilitate communication with the world, and maintain co-creation, co-prosperity, and the common good with the society.</p> <p>(1) Promoting the international development of local education: China Airlines Group has long been committed to the growth of local education in Taiwan and takes action to support the UN SDG4 strategy. We make good use of the resources specific to the aviation industry to offer interactive and fun courses to motivate children's learning so that education can receive substantial improvement. In 2022, President Kao, Hsing-Huang was invited to National Taiwan Ocean University to share his experience with 100 students who attended his speech. Courses were held at five schools, Hsihai Elementary School, Zhuwei Elementary School, Guolin Elementary School, Shanfeng Elementary School, and Qingxi Elementary School in Dayuan District, and a total of 865 children attended the classes. Well-known Taiwanese athletes were invited to co-host a charity baseball camp and a charity basketball camp, and a total of 86 school children attended the camp events. In order to continue the promotion of sustainable environmental education, a beach cleaning event was held after the loosening of the pandemic control measures, and a total of 273 employees and family members of various work units of China Airlines Group participated in the event. A tree planting event was also held to plant a total of more than 140 trees. It is expected that during the five-year care period of the plants, the carbon absorption capacity can reach 1,100 kg, further fulfilling the Company's responsibilities and obligations in the conservation of resources and ecosystems.</p> <p>(2) Enhancing the international visibility of Taiwan's local brands: The COVID-19 pandemic might have gradually stabilized in 2022, and China Airlines, as one of the world's leading air cargo operators, continued to undertake the important task of transporting pandemic control supplies during the pandemic, and delivered 10,000 sets of reagents and 60,000 masks to the people of Palau. In response to the war between Russia and Ukraine, the CAL Group donated a total of NT\$10 million under its name, which benefited 4 million people, further demonstrating its humanitarian spirit of international rescue. In response to the public welfare spirit of the Flying Pikachu Project promoted by the Pokémon Company, we launched the Pikachu Jet and donated the income from the light travel packages of the maiden flight to the Taiwan Fund for Children and Families, which benefited about 50,000 people. We also donated 1,443 meal boxes to frontline medical care personnel, the Aviation Police Bureau and drivers of pandemic control taxis to thank them for their hard work and dedication during the</p>				

Item of Evaluation	Implementation Status		Brief Explanation	Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No		
<p>pandemic control period. China Airlines has supported the development of national sports events for years. For the year, we sponsored several events, such as the 2022 League of Legends PCS Tournament; P.LEAGUE+ Taoyuan Pilots; Rising Star; Training Team of the Chinese Taipei Golf Association; and local athletes such as table tennis player Chuang, Chih-Yuan, fencer Chen, Yi-Tung, tennis player Tseng, Chun-Hsin, etc., to improve the sports environment in Taiwan.</p> <p>(3)Promoting equal opportunities for disadvantaged groups in society: CAL Group takes practical actions to care for and help the disadvantaged in society to improve their quality of life and education, whether it is taking care of the elderly and disadvantaged schoolchildren, or supporting farmers in Taiwan through actions or donations, hoping to achieve well-being in social equality. In 2022, our volunteer team "Cultivation of Rural Areas" organized three-course activities in remote villages, which helped 164 schoolchildren. Our ground crew also went to LOHAS Preschool in Pingzhen District to help out with painting in the renovation to give disadvantaged children better living environments. To show support for Taiwan's quality agricultural products and help farmers overcome difficulties, we reserved 2,443 boxes of atemoya produced in Taitung and 800 boxes of pomelo, so that the general public can get the chance to taste local agricultural products. Our employee welfare committee during our anniversary celebration also reserved gift vouchers from the Children Are Us Foundation worth NT\$4.85 million to be given out to employees, hoping that our efforts can improve employment opportunities and financial assistance. In 2022, we continued our collaboration with the Dayuan branch of the Huashan Social Welfare Foundation to co-organize "Get Together with Elderly", "Play together elderly" and "Celebrate Mid-Autumn Festival with Elderly" charity events, which helped 370 elderly people. We also continued the corporate sponsorship of the "Pingtung Region New Innovation and Happiness Bus 2.0 Integrated Service Demonstration Project", donating NT\$1.5 million to cover the transportation expenses of the 17,416 locals during the year, which made it more convenient for the local elderly receiving their medical care and children going to schools.</p>				

3.3.7 Ethical Corporate Management and Deviations from the “Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies”

Item of Evaluation	Implementation Status		Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reason	
	Yes	No		Brief Explanation
1. Establishment of ethical operation policies and programs (1) Has the Company formulated an ethical management policy approved by the Board of Directors and expressly stated in the regulations and external documents the policies and practices of ethical management? Do the Board of Directors and senior management commit to actively implement the management policy?	✓		(1) CAL has established the Ethical Corporate Management Best-Practice Principles and Procedures for Ethical Management and Guidelines for Conduct, which were passed in 2016 at the 5 th meeting of the 20 th Board session. These guidelines and principles clearly spell out the Company's ethical operating policies, methods, and commitments. They are published on the CAL website and the Taiwan Stock Exchange Market Observation Post System.	No Difference
(2) Has the Company established an assessment mechanism for the risk of unethical behaviors, regularly analyzed and evaluated business activities with a higher risk of being unethical within the business scope, and formulated a plan accordingly to prevent unethical behaviors, which covers at least the preventive measures provided in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?	✓		(2) The Company's Ethical Corporate Management Best Practice Principles laid out various business activities with a higher risk of being unethical to be prevented within the business scope to strengthen relevant preventive measures, which include behaviors provided in the sub-paragraphs under Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.	No Difference
(3) Has the Company specified the operating procedures, behavioral guidelines, disciplinary penalties, and grievance system in its plan for unethical conduct prevention? In addition, does the Company implement these measures while also periodically reviewing and revising them?	✓		(3) The Company's Procedures and Guidelines of Conduct for Ethical Management clearly laid out all unethical and prohibited conduct, a whistleblowing system, and a disciplinary system. These procedures and guidelines are implemented in the operations of all units.	No Difference
2. Implementing ethical corporate management (1) Does the Company evaluate the ethical records of the businesses in which it has dealings with and include clear ethical corporate behavior provisions in contracts with such counterparties?	✓		(1) In the process of business dealings with other companies, CAL employees explain the ethical management policy and related regulations to counterparties and expressly refuse to provide directly or indirectly, promise, demand, or acceptance from any form of gratification. When signing contracts with others, CAL fully reviews the counterparty's ethical corporate behavior and includes complying with our ethical corporate management policies as a provision in contracts.	No Difference
(2) Has the Company set up a special unit affiliated to the Board of Directors to promote corporate ethical management that periodically (at least once per year) reports to the Board of Directors on the status of the implementation of ethical management policies, the plan for unethical conduct prevention, and its supervision?	✓		(2) The Company's Human Resources Management Division, which is the dedicated unit for ethical management, is responsible for consolidating the ethical management implementation status in relevant units of the Company in addition to reporting periodically to the Board of Directors once per year. The 2022 implementation status has been reported at the 7th meeting of the 22nd Board of Directors on November 9th, 2022. In addition, the Company encourages the reporting of unethical conduct and misconduct. An independent reporting mailbox has been set up and announced. The General Audit Office reports the received cases, the handling methods, and the follow-up review and rectification to the Board of Directors.	No Difference
(3) Has the Company formulated and implemented policies to prevent conflicts of interest and does it provide appropriate ways to record any	✓		(3) CAL Procedures for Ethical Management and Guidelines for Conduct clearly states that should a conflict of interest arise in the execution of Company duties, employees shall report the situation to their direct supervisor, who should provide appropriate guidance.	No Difference

Item of Evaluation	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reason
	Yes	No	Brief Explanation	
potential conflicts found?				
(4) Has the Company established an effective accounting system and an internal control system in efforts to implement ethical management? Does the Company's internal audit unit use the results of ethical management risk assessments to draw up relevant audit plans and does it examine their compliance with the plan for unethical conduct prevention or entrusted an accountant to perform such an audit?	✓		(4) In order to continue to operate with integrity, the Company has prepared an annual audit plan based on risk assessment and conducts ad hoc audits from time to time to check the Company's accounting system, internal control system, and compliance with the dishonesty prevention program.	No Difference
(5) Does the Company periodically hold internal and external ethical corporate behavior training?	✓		(5) To strengthen employees' understanding of the Company's corporate culture of integrity management, the Company has provided training to all domestic and foreign employees through the e-learning system, and has promoted ethical behavior and corporate ethics to new employees upon their arrival: 225 new employees (including 135 domestic employees and 90 foreign employees) for a total of 112.5 hours (0.5 hours*225 employees) in 2022, and for domestic and foreign supervisors, we provided e-learning online courses: 48 employees have been trained in 2022, for a total of 48 hours (1 hour*48 employees). We also disclose the "Ethical Corporate Management Best Practice Principles" and "Procedures and Guidelines for Ethical Corporate Management Best Practice" internally and on the official website for everyone to refer to.	No Difference
3. Operation of the Company's Violation Reporting System (1) Has the Company established a concrete violation reporting and rewards system, set up convenient reporting channels, and appointed suitable personnel to handle these cases?	✓		(1) Article 20 of the Company's Procedures and Guidelines of Conduct for Ethical Management expressly provides and discloses the rules of reporting, its channel, and the processing procedures. The reporting mailbox (auditor@china-airlines.com) is notified on both the Company's website and on the internal website for the Company's internal and external personnel to use. The General Audit Office would initially determine the credibility of the case and report it to the Chairman. The case involving employee discipline will be closed after the Human Resources Division returns the investigation and the handling the results.	No Difference
(2) Has the Company established the standard operating procedures for the investigation of received reports, the follow-up measures to be taken after the investigation is completed, and the relevant confidentiality mechanism?	✓		(2) According to CAL Procedures for Ethical Management and Guidelines for Conduct, all reports of violations and related follow-up investigations are kept strictly confidential. CAL has clear and effective rewards and punishments, an appeals system, a violation reporting confidentiality mechanism, and an investigation SOP. In addition, the Company also incorporates ethical management into employee performance evaluation and human resources policies. Other establishments have been made, such as a clear and effective reward and disciplinary system, a grievance system, and the standard operating procedures for the investigation of reports.	No Difference
(3) Does the Company have any measures in place to protect individuals from possible mistreatment arising from reporting violations?	✓		(3) Employees who process violation reports must sign a written statement pledging to maintain confidentiality of the reporters and details of the case. CAL also promises to protect the whistleblower from improper punishment due to reporting.	No Difference
4. Strengthening information disclosure Does the Company disclose the content of its Ethical Corporate Management Best-Practice Principles and their effectiveness on our website as well as the TWSE Market Observation Post System?	✓		CAL's Ethical Corporate Management Best-Practice Principles and Procedures for Ethical Management and Guidelines for Conduct are shown on the China Airlines website and on the Taiwan Stock Exchange Market Observation Post System, along with the effectiveness of ethical operations and fair trade principles.	No Difference
5. Whether the Company has established a code of ethical corporate management based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any differences between said code and the Best-Practice Principles: No Differences.				
6. Other information that will assist in the understanding of Company ethical corporate management practices: None.				

3.3.8 Corporate Governance Guidelines and Regulations

The Company has established the following: a Corporate Charter, Rules for Discussions of Official Business at Shareholder Meetings, Rules for Discussions of Official Business by the Board of Directors, Ethical Code of Conduct for Directors, Election of Directors, Rules for Corporate Governance, Guiding Principles for Operational Integrity, Guide to Integrity in Management and Business Procedures and Conduct, Practical Guidelines for Corporate Social Responsibility and Sustainable Development, Ethical Code of Conduct for Directors, Ethical Code of Conduct for Senior Supervisors, Employee Workplace Rules of Conduct, China Airlines Group Rules of Conduct, Supplier Code of Conduct, and a Human Rights Policy. It has formed three committees under the Board of Directors for audit, remuneration, and risks with various organizational rules. The relevant rules listed above are all made public on the Company's website (<http://www.china-airlines.com>) and the Company's social responsibility network (<https://calec.china-airlines.com/csr/en/index.html>).

3.3.9 Summary table of the resignation and dismissal of relevant persons of the Company:

March 28, 2022

Title	Name	Date of Appointment	Date of Dismissal	Reason for Resignation or Dismissal
Corporate Governance Manager	Chien, Feng-Nien	2019/05/09	2022/11/30	Retirement Age
Accounting Manager	Chen, I-Chieh	2017/02/16	2022/05/09	Duty Adjustment

Note: "Relevant persons in the Company" refers to the Chairman, President, Accounting Manager, Financial Manager, Internal Audit Manager, Corporate Governance Manager, R&D Manager, and others.

3.3.10 Other Important Information Regarding Corporate Governance

A. The organization and operations of the Company's internal auditing

The Company's internal audit operations are handled by the General Audit Office. In compliance with Article 11 of the "Regulations Governing Establishment of Internal Control Systems by Public Companies", the General Audit Office is under the jurisdiction of the Board of Directors. The main internal audit operation methods are announced via a document management system in the Company's corporate internal information network. Information announced includes the manual of "Detailed Rules for Internal Audit Implementation" and relevant operational methods. A summary is provided as follows:

- (1) Day-to-day audit (pre-incident audit and post-incident audit).
- (2) Annual audit (on-site inspection of the head office, branch units, and subsidiaries).
- (3) Project audit.
- (4) Supervision of construction, maintenance, and procurement.
- (5) Financial inventory.
- (6) Self-assessment of the internal control system.
- (7) Periodical audit required by the Financial Supervisory Commission.
- (8) Other units that need unscheduled audits.

B. Certifications of the personnel related to the Company's internal audits

R.O.C. Certified Public Accountant License: 1 people, R.O.C. R.O.C. Futures Specialist: 1 people.

C. Company financial staff certifications and licenses: Institute of Internal Auditors-Chinese Taiwan Internal Auditor Certificate

Institute of Internal Auditors-Chinese Taiwan Internal Auditor Certificate: 4 people; International Internal Auditor Certificate: 3 people; R.O.C. Certified Public Accountant License: 2 people; R.O.C. Securities (Senior) Specialist: 5 people; R.O.C. Securities Investment Trust and Consulting Professional: 4 people; R.O.C. Futures Specialist: 3 people; R.O.C. Financial Planning Personnel Proficiency Test Passing Certificate: 5 people; R.O.C. Stock Affairs Specialist Proficiency Test Passing Certificate: 6 people; USA Certified Public Accountant License: 2 people; R.O.C. Basic Enterprise Internal Audit Proficiency Test Passing Certificate: 5 people.

D. Company Director Continual Education

From January 1, 2022 to April 2, 2023

Title	Name	Training hours	Date(s)	Sponsoring Organization	Course
Chairman	Hsieh, Su-Chien	2hr	2022/03/02	Training by: Taiwan Corporate Governance Association	Information Security Incident Practices Under the New Normal After the Pandemic
		3hr	2022/05/09		Global Risk Perception - Opportunities and Challenges in the Next Decade and 2030/2050 Net Zero Emissions
		2hr	2022/07/07		How Directors and Supervisors can Help Companies Face Risks and Handle Crises
		3hr	2022/08/09		Only way to sustainable management of enterprises - External innovation
		2hr	2022/10/28		The Last Piece of the Sustainability Puzzle - Opportunities and Tools for Impact Investing
Director	Kao, Shing-Hwang	3hr	2022/05/09	Training by: Taiwan Corporate Governance Association	Global Risk Perception - Opportunities and Challenges in the Next Decade and 2030/2050 Net Zero Emissions
		3hr	2022/08/09		Only way to sustainable management of enterprises - External innovation
Director	Chen, Charles C.Y.	3hr	2022/05/09	Training by: Taiwan Corporate Governance Association	Global Risk Perception - Opportunities and Challenges in the Next Decade and 2030/2050 Net Zero Emissions
		3hr	2022/06/10	Securities and Futures Institute	2022 Insider Trading Prevention Seminar
Director	Ting, Kwang-Hung	3hr	2022/05/09	Training by: Taiwan Corporate Governance Association	Global Risk Perception - Opportunities and Challenges in the Next Decade and 2030/2050 Net Zero Emissions
		3hr	2022/08/09		Only way to sustainable management of enterprises - External innovation
Director	Chen, Han-Ming	3hr	2022/05/09	Training by: Taiwan Corporate Governance Association	Global Risk Perception - Opportunities and Challenges in the Next Decade and 2030/2050 Net Zero Emissions
		3hr	2022/08/05		Corporate governance and securities regulations
		3hr	2022/08/09		Only way to sustainable management of enterprises - External innovation
Director	Chen, Maun-Jen	3hr	2022/05/09	Training by: Taiwan Corporate Governance Association	Global Risk Perception - Opportunities and Challenges in the Next Decade and 2030/2050 Net Zero Emissions
		3hr	2022/08/09		Only way to sustainable management of enterprises - External innovation
Director	Wei, Yung-Yeh	3hr	2022/05/09	Training by: Taiwan Corporate Governance Association	Global Risk Perception - Opportunities and Challenges in the Next Decade and 2030/2050 Net Zero Emissions
		3hr	2022/08/09		Only way to sustainable management of enterprises - External innovation
Director	Chao, Kang	3hr	2022/05/09	Training by: Taiwan Corporate Governance Association	Global Risk Perception - Opportunities and Challenges in the Next Decade and 2030/2050 Net Zero Emissions
		3hr	2022/08/09		Only way to sustainable management of enterprises - External innovation
Director	Wang, Shih-Szu	3hr	2022/05/09	Training by: Taiwan Corporate Governance Association	Global Risk Perception - Opportunities and Challenges in the Next Decade and 2030/2050 Net Zero Emissions
		3hr	2022/08/09		Only way to sustainable

Title	Name	Training hours	Date(s)	Sponsoring Organization	Course
					management of enterprises - External innovation
Director	Chang, Hui-Chuan	3hr	2022/08/09	Training by: Taiwan Corporate Governance Association	Only way to sustainable management of enterprises - External innovation
		3hr	2022/11/14	Greater China Financial and Economic Development Association	Illegality and Case Analysis of Insider Trading
		3hr	2022/11/21		Circular Economy and Sustainable Development of Enterprises
		3hr	2022/11/30		AI Mindset and Digital Transformation
Independent Director	Chang, Hsieh Gen-Sen	3hr	2022/05/09	Training by: Taiwan Corporate Governance Association	Global Risk Perception - Opportunities and Challenges in the Next Decade and 2030/2050 Net Zero Emissions
		3hr	2022/08/09		Only way to sustainable management of enterprises - External innovation
Independent Director	Huang, Hsieh-Hsing	3hr	2022/05/09	Training by: Taiwan Corporate Governance Association	Global Risk Perception - Opportunities and Challenges in the Next Decade and 2030/2050 Net Zero Emissions
		3hr	2022/08/09		Only way to sustainable management of enterprises - External innovation
Independent Director	Hwang, Chin-Yeong	3hr	2022/05/09	Training by: Taiwan Corporate Governance Association	Global Risk Perception - Opportunities and Challenges in the Next Decade and 2030/2050 Net Zero Emissions
		3hr	2022/08/09		Only way to sustainable management of enterprises - External innovation

E. Corporate governance-related training attended by company managers

From January 1, 2022 to April 2, 2023

Title	Name	Training hours	Date(s)	Sponsoring Organization	Course
Vice President, Finance Div.	Wang, Wei	30hr	2022/07/11~19	Accounting Research and Development Foundation	Continued Education for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges
Assistant Vice President, Finance Div.	Wang, Ching-Ting	12hr	2022/09/26~27	Accounting Research and Development Foundation	Continued Education for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges
Auditor General, General Audit Office	Fang, Juo-Ling	6hr	2022/08/17	Institute of Internal Auditors-Chinese Taiwan	Internal Audit Specialty Course - Subsidiary Audit Practices
		6hr	2022/10/21	Institute of Internal Auditors-Chinese Taiwan	Internal Audit Specialty Course - Common internal audit and internal control deficiencies in subsidiaries of Taiwanese firms and case studies
Deputy Auditor General, General Audit Office	Ho, Hui-Fen	6hr	2022/08/17	Institute of Internal Auditors-Chinese Taiwan	Internal Audit Specialty Course - Subsidiary Audit Practices
		6hr	2022/09/28	Institute of Internal Auditors-Chinese Taiwan	Internal Audit Specialty Course - Common internal control deficiencies in subsidiaries and case studies under various business cycle types
Corporate Governance Manager	Chien, Feng-Nien	3hr	2022/05/09	Taiwan Corporate Governance Association	Global Risk Perception - Opportunities and Challenges in the Next Decade and 2030/2050 Net Zero Emissions
		3hr	2022/08/09	Taiwan Corporate Governance Association	Only way to sustainable management of enterprises - External innovation
		3hr	2022/11/03	Taiwan Corporate Governance Association	Fubon Insurance ESG Trends and Risk Management Seminar
		3hr	2022/11/11	Securities and Futures	Publicly traded and OTC companies -

Title	Name	Training hours	Date(s)	Sponsoring Organization	Course
				Institute	Seminar on derivatives trading strategy and market outlook

F. Succession plan for the Board of Directors and key management of the Company

The selection and nomination of China Airlines' directors are carried out in accordance with the Company Act, Securities and Exchange Act, China Airlines' Rules Governing the Election of Directors, Regulations Governing Appointment of Independent Directors, and Compliance Matters for Public Companies. All elections of directors are conducted in accordance with the candidate nomination system. Shareholders may nominate candidate directors. Through shareholders' voting in the annual general meeting, directors (including independent directors) are elected from the list of candidates nominated by shareholders. The term of office of a director is 3 years.

As for the selection of directors' successors, the representative successors should generally have the required abilities stated in the chapter in China Airlines' "Corporate Governance Principles" describing competencies required by the Board of Directors. As required by law, independent directors must have certain professional qualifications and work experience. Professionals who are experienced in the industry, including government and academic fields, are the main factors that form the basis of succession planning (please refer to P.47-48 for diversification). In addition, the independence of all board members is ensured in accordance with law and the results of its annual evaluation are an important reference for whether continued nomination is needed.

To improve the directors' ability to exercise their power by virtue of their posts and ensure that the Board's effectiveness is up to date, scheduled advanced courses are arranged every year to help elevate their professional competencies. These courses cover corporate governance-related topics, including finance, accounting, business, commerce, legal affairs, information, risk management, internal control systems, and corporate social responsibility. To ensure that the succession plan is comprehensive, the contents are aligned with the latest regulations and conditions of internal and external environments as well as topics applicable to future development needs.

Furthermore, in relation to the succession planning for important management personnel, other than having excellent professional management ability, one's behavior, ethics, and instructions will be based on the resolutions of the Board of Directors. These matters are handled in accordance with the "China Airlines Executives Code of Ethical Conduct" and related laws and regulations in the best interests of the Company, employees, and shareholders.

In the training plan for the Company's senior management, regular senior management lectures are held every year, where experts from the fields of industry, public sector, and academia are invited to deliver special lectures on the state of the global market and the development of the aviation industry to enable the Company's supervisors to better understand the state of the market. The aim is so that their breadth of professional competence development may be improved. Periodic inter-agency transfers are made according to the Company's rules to create diversified management capabilities among important management personnel. In addition, to deepen the knowledge of the Company's management professionals at various levels and broaden the horizon of potential talent, strategic and management occupational training sessions are held on a regular basis and talent training programs are conducted to refine knowledge and skills of mid-level supervisors. Talents are cultivated with an international vision and management capabilities. Management professionals strengthen their managerial knowledge through their job experience, management course training, and rigorous assessment systems. As of today, more than 100 outstanding management professionals have been nurtured and are now serving in key units in Taiwan and foreign branches.

G. Internal material information and disclosure procedure

On November 9, 2022, after approval by the Board of Directors, the Company has edited the China Airlines Ltd. Procedures for Handling Material Insider Information. In addition to notifying the new procedures to the Board, management, and employees, they were also published under Important Company Regulations on the Investor Relations section of the CAL website for reference at any time to avoid violations and prevent the occurrence of insider trading.

3.3.11 Internal Control Systems

A. Internal Control Statement



China Airlines Co., Ltd.
Internal Control Statement



Date: March 9, 2023

The Company states the following with regard to our internal control system during the period of fiscal year 2022 based on the self-assessment result :


1. The Company is fully aware that establishing, operating, and maintaining an internal control system are responsibilities of the management and the Board of Directors. The Company has established such a system. The goal of the system is aimed at the operation efficiency and effectiveness (including profits, performance, and assets safeguarding), and to provide reasonable assurance on producing reliable, timely and transparent reports in compliance with the governing law and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company, however, contains self-monitoring mechanisms which will take corrective actions upon detecting deficiency.
3. The Company should evaluate the effectiveness of the design and execution of its internal control system based on judgment criteria set by "the Regulation Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred as "The regulations"). The regulations adopt the criteria, and divide the managerial control process into five key elements: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and Communications, and 5. Monitoring. Each element contains detailed items. Aforementioned items please refer to The regulations.
4. The Company has conducted an effectiveness evaluation on its internal control system by adopting the above mentioned internal control system judgment criteria.
5. Based on the preceding assessment result, the Company believes that its internal control system (with subsidiaries supervision and management) on the date of December 31, 2022 includes the awareness of operation effectiveness and target achievement efficiency, reports are reliable, timely, and transparent in compliance with the governing law and regulations. The



design and execution of the internal control system are effective which can reasonably assure the accomplishment of the aforementioned objectives.

6. This Statement will become the major part of the Company's annual report and prospectus, which will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been approved by the Board of Directors Meeting of the Company held on the date of March 9, 2023, where none of the thirteen attending directors expressed dissenting opinions, and unanimously affirmed the content of this Statement.

Chairman: J. C. Chieh 

President: S. H. Fong 

- B. Whether the Company has commissioned external auditors to review the Company's internal control system, the external auditor's report should be disclosed: None.

3.3.12 Disciplinary Measures Taken Against the Company or Its Internal Staff Due to Violations of Legal Requirements or Taken by the Company Against Its Own Staff Due to Violations of the Internal Control System

For 2022 and as of April 2, 2023, the Company has not been in any situations of being punished by competent authority for failure to comply with the labor inspection.

3.3.13 Major Resolutions of Shareholders' Meeting and Board Meetings

A. Major Resolutions of Shareholders' Meeting in 2022

Item	Major resolutions	Execution
1. Business Report and Financial Statements for the year 2021	This resolution was passed as proposed upon voting.	The announcement was made after the resolution of the shareholders' meeting on May 26, 2022.
2. Distribution of 2021 profits	This resolution was passed as proposed upon voting.	The announcement was made after the resolution of the shareholders' meeting on May 26, 2022.
3. Amendment to the "Articles of Incorporation"	This resolution was passed as proposed upon voting.	The announcement was made after the resolution of the shareholders' meeting on May 26, 2022.
4. Amendment to the "Procedures Governing the Acquisition and Disposal of Assets"	This resolution was passed as proposed upon voting.	The announcement was made after the resolution of the shareholders' meeting on May 26, 2022.

B. Major Resolutions of Board Meetings (January 1, 2022 to April 2, 2023)

22 nd Board of Directors	Date	Item	Opinions of Independent Directors	Any Handling of Independent Directors' opinions by the Company
3rd Meeting	2022/01/12	<ol style="list-style-type: none"> 1. Employees' 2021 Year-end Bonus and 2022 Incentive Bonus 2. 2022 Employee Salary Adjustment 3. Chairman and President's 2021 Year-end Bonus and Incentive Bonus 4. Chairman and President's Salary Increase for 2022 5. 2022 Annual Shareholders' Meeting 6. Change the useful lives of 744F and A333 7. Provision of General Financing Limit and Financial Commodity Trading Limit by Four Financial Institutions, Including the Export-Import Bank of the Republic of China 8. Lunar New Year Gifts for Foreign Employees 	Approved by all attending independent directors	None
3rd Extraordinary Meeting	2022/01/27	<ol style="list-style-type: none"> 1. Appointment and dismissal of President 2. Purchase of "777F cargo aircraft" 	Approved by all attending independent directors	None
4th Meeting	2022/03/15	<ol style="list-style-type: none"> 1. Appointment of Senior Vice President (VW) 2. Resignation fee for the former Senior Vice President (VE) Wang, Houng 3. Proposal of Salary and Compensation for the Senior Vice President (VE) Sun, Jia-Min 4. Regular Review of Policies, Systems, Standards, and Structures for the Performance, Salary, and Compensation of Directors and Presidents 5. 2021 Employees' Compensation 6. 2021 Internal Control System Effectiveness Audit and Statement 	Approved by all attending independent directors	None

22 nd Board of Directors	Date	Item	Opinions of Independent Directors	Any Handling of Independent Directors' opinions by the Company
		7. 2021 Financial Report and Consolidated Financial Report 8. 2021 Business Report 9. 2021 Surplus Earnings Distribution 10. 2022 CPA Appointment and Remuneration 11. 2022 Issuance of Domestic Unsecured Ordinary Corporate Bonds 12. Set the base date for the domestic unsecured 6th and 7th convertible bonds to be converted into shares in the fourth quarter of 2021 13. Amendment to the Articles of Incorporation 14. Amendment to the "Procedures for the Acquisition or Disposal of Assets" 15. Amendment to "the Corporate Social Responsibility and Sustainable Development Best Practice Principles" to "Sustainable Development Best Practice Principles" and relevant provisions		
5th Meeting	2022/05/09	1. Proposal of salary and remuneration for Senior Vice President (VW) Ya-Mei Lo. 2. Lifting of restrictions on the non-compete clause for senior vice presidents to hold concurrent posts. 3. Adjust supervision allowance for managerial officers. 4. Change of principal accounting officer 5. Deloitte & Touche changing CPAs. 6. Set the issue date of new shares in Q1 2022 from the Company's 6th and 7th series domestic unsecured convertible bonds. 7. Three financial institutions, including First Commercial Bank of Taiwan, provide lines of credit and trading limits for financial instruments.	Approved by all attending independent directors	None
6th Meeting	2022/08/09	1. 2021 employee remuneration for the chairman and managerial officers. 2. Personnel changes. 3. Ten financial institutions, including Ta Ching Bills Finance Corporation, provide lines of credit and trading limits for financial instruments. 4. Bank of Taiwan undertakes the pledging of a 777F freighter for loans. 5. Taiwan Cooperative Bank undertakes the pledging of a 777F freighter for loans. 6. Set the issue date of new shares in Q2 2022 from the Company's 7th series domestic unsecured convertible bonds.	Approved by all attending independent directors	None
4th Extraordinary Meeting	2022/08/30	1. Introduction of new wide-body passenger aircraft	Approved by all attending independent directors	None

22 nd Board of Directors	Date	Item	Opinions of Independent Directors	Any Handling of Independent Directors' opinions by the Company
7th Meeting	2022/11/09	<ol style="list-style-type: none"> 1. 2023 annual audit plan. 2. 2023 business plan and budgeting. 3. Five financial institutions, including Far Eastern International Bank, provide lines of credit and trading limits for financial instruments. 4. Amended the "Procedures for Handling Material Inside Information". 5. Amended the "Rules of Procedure for Board Meetings". 6. Dismissal and appointment of the head of corporate governance. 7. Establish new branches in response to new routes. 8. Procurement of 787 new wide-body passenger aircraft backup engines and contracted maintenance and repair (PBTH) for engines. 	Approved by all attending independent directors	None
8th Meeting	2023/01/10	<ol style="list-style-type: none"> 1. 2022 year-end bonus and incentives for employees. 2. 2023 employee salary adjustment. 3. 2022 year-end bonus and incentives for directors and managerial officers. 4. 2023 salary adjustment for the chairman and managerial officers. 5. Company's organizational restructuring (cargo transportation). 6. Appointment of senior vice presidents (VC). 7. Changes to employee stock ownership trust incentive measures. 8. Convened the 2023 annual general meeting. 9. Two financial institutions, including International Bills Finance Corporation, provide lines of credit and trading limits for financial instruments. 	Approved by all attending independent directors	None
9th Meeting	2023/03/09	<ol style="list-style-type: none"> 1. 2022 Internal control system effectiveness assessment and statement. 2. 2022 employee remuneration. 3. Proposal of salary and remuneration for Senior Vice President (VC) Liu, Der-Chuan. 4. Lifting of restrictions on the non-compete clause for senior vice presidents (VC) to hold concurrent posts. 5. 2022 financial report and consolidated financial report. 6. 2022 Business Report. 7. 2022 profit distribution. 8. 2023 appointment and remuneration of CPAs. 9. Cash capital increase to Tigerair Taiwan. 10. 2023 issue of domestic unsecured corporate bonds. 11. Proposed to pledge a 777F (B-18778) to Hua Nan Commercial Bank, Ltd. as collateral for loans. 	Approved by all attending independent directors	None

22 nd Board of Directors	Date	Item	Opinions of Independent Directors	Any Handling of Independent Directors' opinions by the Company
		12. Proposed to pledge a 777F (B-18777) to Export-Import Bank of the Republic of China as a collateral for loans. 13. Two financial institutions, including Export-Import Bank of the Republic of China, providing line of credit. 14. Establish new branches in response to new routes.		

3.3.14 Major Records or Written Statements Made by Any Director or Supervisor Dissenting with Important Resolutions Passed by the Board of Directors: None.

3.4 Information Regarding the Company's Audit Fee and Independence

3.4.1 Audit Fee

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
Deloitte & Touche	Lee, Kuan-Hao	Cheng, Shiu-Ran	01/01/2022-12/31/2022	None

Unit: NT\$ thousands

Fee Range	Fee Items	Audit Fee	Non-audit Fee	Total
1	Under 2,000			
2	2,000 - 3,999		✓	
3	4,000 - 5,999			
4	6,000 - 7,999	✓		
5	8,000 - 9,999			
6	Over 10,000			✓

3.4.2 Audit and Non-Audit Fees Paid to CPAs, the Certified Accounting Firm to Which Said CPAs Belong, and Any Affiliated Enterprises and Details Regarding Non-Audit Fees. See Below:

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
Deloitte & Touche	Lee, Kuan-Hao Cheng, Shiu-Ran	7,750	-	-	-	3,874	3,874	01/01/2022-12/31/2022	Others include (1)the business tax audit fee of dual-status business entities adopting direct deduction, (2) the Service fee for issuing pro forma consolidated financial information; (3) the Service fee for option letter on the rationality of changing service life; (4) Service fee for cash agreement procedures; (5) Audit fee for capitalization of convertible bonds; (6) Attestation fee for issuing corporate bonds; (7) Service fee for Japanese Consumption Tax (JCT) refund, etc.

3.4.3 Changed Audit Firms and the Audit Fee Paid Being Less Than the Audit Fees Paid in the Previous Year Prior to the Change: Not Applicable.

3.4.4 Those with Audit Fees Amounting to a Reduction of 15% or More Compared to the Previous Year: None.

3.5 Replacement of CPA:

3.5.1 On the previous accountant

Date of change	May 9, 2022		
Reason and explanation for change	Due to internal rotation at the CPA firm, the resolution was passed at the 5th meeting of the 22nd Board of Directors on May 9, 2022 that from the financial report for Q2 of 2022, the CPAs would be switched to Lee, Kuan-Hao and Cheng, Shih-Ran.		
Explanation was termination of the person or accountant appointed or refusal of appointment	Involved party		Accountant
	Situation		Appointee
	Proactive termination of appointment		None
Did not accept further (continuing) appointment			
Newest check report within two years other than one signed and issued without disclaimer and reason	None.		
Objection from issuer	Yes		Accounting principles or customary practice
			Financial report disclosure
			Scope of check or steps
			Other
	None		✓
	Explanation		
Other items disclosed (for which disclosure is required under Article 10, Clause 6, items 1d through 1g)	None.		

3.5.2 On successor accountants

Name of firm	Deloitte & Touche
Accountant Name	Lee, Kuan-Hao; Cheng, Shih-Ran
Date of appointment	May 9, 2022
Pre-appointment consultations for opinions on the method of accounting or accounting principles for specific transactions and consultation on the possibility of signing and results of the same	None
Written opinions of successor accountants at odds with those of previous accountants	None

3.5.3 Former Accountant's Reply to Disclosures under Items 1 and 2-3,

Subparagraph 6, Article 10 of the Guidelines: None.

3.6 The Company's Chairman, Presidents, or Accounting Officers Holding any Positions in the Company's Independent Auditing Firm or its Affiliates During 2022: None.

3.7 Changes in Shareholding of Directors, Managers, and Major Shareholders

Unit: Shares

Title	Name	2022		The Current Year Until April 2, 2023	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Major Shareholder	China Aviation Development Foundation (Note)				
Chairman	China Aviation Development Foundation Representative: Hsieh, Su-Chien	0	0	0	0
Director	China Aviation Development Foundation Representative: Chen, Charles C.Y.; Ting, Kwang-Hung; Chen, Han-Ming; Wei, Yung-Yeh, Kao, Shing-Hwang; Chen, Maun-Jen; Chao, Kang				
Director	National Development Fund, Executive Yuan Representative: Wang, Shih-Szu; Chang, Hui-Chuan	0	0	0	0
Independent Director	Chang, Hsieh Gen-Sen	0	0	0	0
Independent Director	Hwang, Chin-Yeong	0	0	0	0
Independent Director	Huang, Hsieh-Hsing	0	0	0	0
President	Kao, Shing-Hwang	0	0	0	0
Senior Vice President	Wang, Chen-Min	0	0	0	0
Senior Vice President	Chen, I-Chieh	0	0	0	0
Senior Vice President	Lai, Ming-Hui	0	0	0	0
Senior Vice President	Sun, Jia-Min	0	0	0	0
Senior Vice President	Lo, Ya-Mei (Assumed post on 2022/03/15)	0	0	0	0
Senior Vice President	Liu, Der-Chuan	0	0	0	0
Auditor General	Fang, Juo-Ling	0	0	0	0
Vice President and Data Protection Officer	Huang, Ta-Fang	0	0	0	0
Vice President	Li, Chih-Wei	0	0	0	0
Vice President	Chen, I-Ko	0	0	0	0
Vice President	Peng, Pao-Chu	0	0	0	0
Vice President	Lu, Shwu-Huoy	0	0	0	0
Vice President	Lu, Shih-Ming	0	0	0	0
Vice President	Huang, Hui-Na	0	0	0	0
Vice President	Wang, Wei	0	0	0	0
Vice President	Chen, Chwen-Der	0	0	0	0
Vice President	Tsao, Jyh-Fen	0	0	0	0
Vice President	Chiu, Chang-Hsin (Assumed post on 2022/12/01)	0	0	0	0

Title	Name	2022		The Current Year Until April 2, 2023	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Vice President	Chu, Te-Hsiu	0	0	0	0
Vice President	Chang, Cheng-Hao	0	0	0	0
Vice President	Hsueh, Po-Wen	0	0	0	0
Vice President	Lee, Pei-Chen	(27,000)	0	0	0
Vice President	Lee, Jung-Hui (Assumed post on 2022/03/16)	0	0	0	0
Vice President	Tsai, Chih-Hung	0	0	0	0
Vice President	Hsiao, Jui-Fu	0	0	0	0
Deputy Auditor General	Ho, Hui-Fen	0	0	0	0
Assistant Vice President	Wang, Chang Shu (Assumed post on 2023/02/01)	0	0	0	0
Assistant Vice President	Shan, Jia-Ling (Assumed post on 2022/01/16)	0	0	0	0
Assistant Vice President	Yu, Yueh-Han	65,523 (65,523)	0	0	0
Assistant Vice President	Hsiung, Shih-Chineg (Assumed post on 2022/03/01)	0	0	0	0
Assistant Vice President	Kang, Yi-Chuan	0	0	0	0
Assistant Vice President	Tsai, Hsieh-Liang (Assumed post on 2022/10/06)	0	0	0	0
Assistant Vice President	He, Cheng	0	0	0	0
Assistant Vice President	Chen, Pei-Ti	0	0	0	0
Assistant Vice President	Hua, Te-Lin (Assumed post on 2022/01/07)	0	0	0	0
Assistant Vice President	Wei, Chia-Hsiang	0	0	0	0
Assistant Vice President	Shih, Ching-Yun	79,717	0	0	0
Assistant Vice President	Pan, Wen-Tsung (Assumed post on 2022/08/12)	0	0	0	0
Assistant Vice President	Chen, Mei-Fen	0	0	0	0
Assistant Vice President	Wang, Ching-Ting	0	0	0	0
Assistant Vice President	Tsai, Jiunn-Chin (Assumed post on 2022/04/16)	0	0	0	0
Assistant Vice President	Shen, Ming (Assumed post on 2022/05/01)	0	0	0	0
Assistant Vice President	Tsao, Jiin-Wen (Assumed post on 2022/05/01)	0	0	0	0
Assistant Vice President	Chou, Chih-Lung	0	0	0	0
Assistant Vice President	Chen, Jo-Ching	0	0	0	0
Assistant Vice President	Huang, Yuan-Yua (Assumed post on 2022/04/30)	0	0	0	0
Assistant Vice President	Hsu, Hsueh-Wen (Assumed post on 2022/02/13)	0	0	0	0
Assistant Vice President	Kung, Yuan-Jau	0	0	0	0
Assistant Vice President	Yeh, Jin-Fu	(109,000)	0	(15,000)	0

Title	Name	2022		The Current Year Until April 2, 2023	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Assistant Vice President	Yen, Yang	0	0	0	0
Assistant Vice President	Liu, Duan-Shiuh	0	0	0	0
Assistant Vice President	Lee, Jing-Ting (Assumed post on 2023/02/16)	0	0	0	0
Assistant Vice President	Shih, Ching-Kai	0	0	0	0
Assistant Vice President	Shih, Hui-Huang	0	0	0	0
Assistant Vice President	Lin, Pi-Wei	0	0	0	0
Assistant Vice President	Pan, Yun-Hau (Dismissed on 2022/01/07)	0	0	0	0
Senior Vice President	Wang, Houng (Dismissed on 2022/01/31)	0	0	0	0
Vice President	Hong, Tsu-Kuang (Dismissed on 2022/03/01)	0	0	0	0
Assistant Vice President	Cheng, Yu Lin (Dismissed on 2022/04/15)	0	0	0	0
Assistant Vice President	Huang, Chin-Feng (Dismissed on 2022/04/30)	(20,000)	0	0	0
Assistant Vice President	Fang, Yuan-Hua (Dismissed on 2022/05/01)	0	0	0	0
Assistant Vice President	Lin, Heng-Shan (Dismissed on 2022/06/18)	0	0	0	0
Assistant Vice President	Huang, Hsiang-Piao (Dismissed on 2022/10/06)	0	0	0	0
Vice President	Chou, Jyh-Shyan (Dismissed on 2022/11/30)	0	0	0	0
Company Secretary	Chien, Feng-Nien (Dismissed on 2022/11/30)	0	0	0	0
Assistant Vice President and Chief Information Security Officer (CISO)	Kao, Shu-Chuan (Assumed post on 2022/03/16) (Dismissed on 2023/01/30)	0	0	0	0
Accounting Manager	Chen, I-Chieh (Dismissed on 2022/05/09)	0	0	0	0
Vice President	Chung, Ming-Jyh (Dismissed on 2023/02/16)	0	0	0	0

Note: Refers to major shareholders holding more than 10% of company shares.

3.7.1 Shares Trading with Related Parties: None.

3.7.2 Shares Pledged with Related Parties: None.

3.8 Relationships among the Top Ten Shareholders

Apr. 2, 2023

Name	Current Shareholding		Spouse's/Minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship with the Company's Top Ten Shareholders, Spouses, or Relatives within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
China Aviation Development Foundation (Representative: Chen, Yen-Po)	1,867,341,935	31.05%	0	0%	0	0%	None	None	None
National Development Fund of The Executive Yuan (Representative: Dr. Kung, Ming-Hsin)	519,750,519	8.64%	0	0%	0	0%	None	None	None
New Labor Pension Fund	58,368,669	0.97%	NA	NA	0	0%	None	None	None
Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	37,528,442	0.62%	NA	NA	0	0%	None	None	None
China Airlines Ltd. Employee Stock Ownership Trust Plan	36,062,529	0.60%	NA	NA	0	0%	None	None	None
Norges Bank	29,251,821	0.49%	NA	NA	0	0%	None	None	None
Wan Hai Lines Ltd. (Representative: Jiu Fu Garden Co., Ltd.)	27,453,862	0.46%	NA	NA	0	0%	None	None	None
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	24,572,146	0.41%	NA	NA	0	0%	None	None	None
Lin, Hon-Lian	18,550,000	0.31%	0	0%	0	0%	None	None	None
Government pension investment fund investment account	18,433,000	0.31%	NA	NA	0	0%	None	None	None

3.9 Ownership of Shares in Affiliated Enterprises

Dec 31, 2022

Unit: shares; %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors & Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
1. CAL-Dynasty International, Inc.	2,614,500	100.00	-	-	2,614,500	100.00
1A Dynasty Properties Co., Ltd.	-	-	7,000	100.00	7,000	100.00
1B Dynasty Hotel of Hawaii, Inc.	-	-	400,000	100.00	400,000	100.00
2. CAL-Asia Investment Inc.	7,172,346	100.00	-	-	7,172,346	100.00
2A Eastern United International Logistics (Holdings) Ltd.	-	-	1,050,000	35.00	1,050,000	35.00
2B Airport Air Terminal (Xiamen) Co., Ltd.	-	-	(Note 1)	28.00 (Note 2)	(Note 1)	28.00 (Note 2)
2C Airport Air Cargo Service (Xiamen) Co., Ltd.	-	-	(Note 1)	28.00 (Note 2)	(Note 1)	28.00 (Note 2)
2D Taikoo (Xiamen) Landing Gear Services Co., Ltd.	-	-	(Note 1)	2.59	(Note 1)	2.59
2E Haeco Composite Structures (Jinjiang) Co., Ltd.	-	-	(Note 1)	5.45	(Note 1)	5.45
3. Dynasty Aerotech International Corp.	77,270	100.00	-	-	77,270	100.00
4. CAL Park Co., Ltd.	151,546,405	100.00	-	-	151,546,405	100.00
5. CAL Hotel Co., Ltd..	33,480,000	100.00	-	-	33,480,000	100.00
6. Taiwan Aircraft Maintenance and Engineering Co., Ltd.	56,000,000	100.00	-	-	56,000,000	100.00
7. Mandarin Airlines, Ltd.	387,831,234	96.96	-	-	387,831,234	96.96
8. Sabre Travel Network (Taiwan) Ltd.	13,021,042	93.93	-	-	13,021,042	93.93
9. Tigerair Taiwan Co., Ltd.	313,631,656	78.41	15,433,000	3.86	329,064,656	82.27
10. China Pacific Laundry Services Ltd.	13,750,000	55.00	-	-	13,750,000	55.00
11. Taiwan Air Cargo Terminal Ltd.	135,000,000	54.00	12,500,000	5.00	147,500,000	59.00
12. Kaohsiung Airport Catering Services	21,494,637	53.67	-	-	21,494,637	53.67
12A Delica International Co., Ltd.	-	-	1,020,000	51.00	1,020,000	51.00
13. Dynasty Holidays, Inc.	160	20.00	-	-	160	20.00
14. China Pacific Catering Services Ltd.	43,911,000	51.00	-	-	43,911,000	51.00
15. Taoyuan International Airport Services Co., Ltd.	34,300,000	49.00	-	-	34,300,000	49.00
16. Taiwan Airport Service Co., Ltd.	20,626,644	47.35	469,755	1.08	21,096,399	48.43
16A Taiwan Airport Service (Samoa) Co., Ltd.	-	-	5,876,976	100.00	5,876,976	100.00
17. NORDAM Asia Ltd.	3,797,500	49.00	-	-	3,797,500	49.00
18. Global Sky Express Ltd.	250,000	25.00	-	-	250,000	25.00
19. China Aircraft Services Ltd.	28,400,000	4.00	-	-	28,400,000	4.00
20. Everest Investment Holdings Ltd.	(Note 3)	13.59	-	-	(Note 3)	13.59
21. Chung-Hwa Express Co., Ltd.	1,100,000	11.00	-	-	1,100,000	11.00

Note 1: This company has not issued any shares.

Note 2: CAL-Asia Investments Inc. directly holds 14% stake, Taiwan Airport Service (Samoa) Co., Ltd. directly holds 14% stake.

Note 3: Includes 16,724 shares of common stock and 1,672 shares of preferred stock.

Capital Overview

4.1 Capital and Shares

4.2 Corporate Bonds

4.3 Other Depository Receipts

4.4 Financing Plans and Implementation

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

A. Issued Shares

Apr. 2, 2023 Unit: shares; NT\$

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark	
		Shares	Amount	Shares	Amount	Sources of Capital	Approval Date and Document No. by Ministry of Economic Affairs
02/2012	10	5.2 billion	52 billion	5.2 billion	52 billion	Cash increase NT\$5,683,776,490	Jing Shou Shang No. 10101028630, February 20, 2012
05/2015	10	6 billion	60 billion	5.24 billion	52.4 billion	Corporate debt for equity swap NT\$491,665,650	Jing Shou Shang No. 10401079310, May 7, 2015
05/2015	10	6 billion	60 billion	5.37 billion	53.7 billion	Corporate debt for equity swap NT\$1,208,413,350	Jing Shou Shang No. 10401096840, May 28, 2015
09/2015	10	6 billion	60 billion	5.47 billion	54.7 billion	Corporate debt for equity swap NT\$1,000,652,560	Jing Shou Shang No. 10401186200, September 17, 2015
12/2015	10	6 billion	60 billion	5.47 billion	54.7 billion	Corporate debt for equity swap NT\$8,169,930	Jing Shou Shang No. 10401250360, December 8, 2015
12/2017	10	6 billion	60 billion	5.47 billion	54.7 billion	Corporate debt for equity swap, NT\$945,010	Jing Shou Shang No. 10601158980, December 4, 2017
12/2018	10	6 billion	60 billion	5.42 billion	54.2 billion	Treasury Stock Retired NT\$500,000,000	Jing Shou Shang No. 10701157330, December 18, 2018
05/2019	10	7 billion	70 billion	5.42 billion	54.2 billion	Adjustment of authorized capital in accordance with the Articles of Incorporation	Jing Shou Shang No. 10801043180, May 8, 2019
06/2021	10	7 billion	70 billion	5.42 billion	54.2 billion	Corporate debt for equity swap NT\$79,360	Jing Shou Shang No. 11001092210, June 25, 2021
09/2021	10	7 billion	70 billion	5.67 billion	56.7 billion	Corporate debt for equity swap NT\$2,503,251,740	Jing Shou Shang No. 11001152850, September 24, 2021
12/2021	10	7 billion	70 billion	5.74 billion	57.4 billion	Corporate debt for equity swap NT\$691,666,080	Jing Shou Shang No. 11001214770, December 8, 2021
04/2022	10	7 billion	70 billion	5.94 billion	59.4 billion	Corporate debt for equity swap NT\$2,007,399,230	Jing Shou Shang No. 11101065080, April 27, 2022
06/2022	10	7 billion	70 billion	5.99 billion	59.9 billion	Corporate debt for equity swap NT\$523,184,410	Jing Shou Shang No. 11101087540, June 20, 2022
09/2022	10	7 billion	70 billion	6.01 billion	60.1 billion	Corporate debt for equity swap NT\$199,947,120	Jing Shou Shang No. 11101165750, September 21, 2022

Note: The Company didn't use properties other than cash to return share prices nor did it issue any special shares.

B. Type of Stock:

Apr. 2, 2023 Unit: thousand shares

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Stock Inscribed	6,013,537	986,463	7,000,000	Listed Stocks

Note: The number of outstanding shares were a total of 5,993,542,732 shares (including common shares 5,740,484,368, and 253,058,364 shares which haven't received the approval of MOE).

4.1.2 Status of Shareholders

Apr. 2, 2023 Unit: shares

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	Domestic Natural Persons	Treasury Stock	Total
Number of Shareholders	2	32	410	1,115	393,023	0	394,582
Shareholding	519,750,520	58,507,364	2,072,148,923	600,600,337	2,762,530,300	0	6,013,537,444
Percentage	8.64%	0.97%	34.46%	9.99%	45.94%	0.00%	100.00%

4.1.3 Shareholding Distribution Status

Apr. 2, 2023 Unit: shares

Class of Shareholding	Number of Shareholders	Shareholding	Percentage
1-999	45,266	12,766,789	0.21%
1,000-5,000	250,543	569,103,597	9.46%
5,001-10,000	50,388	412,100,392	6.85%
10,001-15,000	15,216	197,850,161	3.29%
15,001-20,000	11,269	212,383,999	3.53%
20,001-30,000	8,624	225,997,458	3.76%
30,001-40,000	3,918	142,871,164	2.38%
40,001-50,000	2,690	127,342,960	2.12%
50,001-100,000	4,177	307,073,934	5.11%
100,001-200,000	1,491	214,429,959	3.57%
200,001-400,000	504	144,011,816	2.39%
400,001-600,000	172	84,392,999	1.40%
600,001-800,000	69	48,780,072	0.81%
800,001-1,000,000	56	51,004,574	0.85%
1,000,001 or over	199	3,263,427,570	54.27%
Total	394,582	6,013,537,444	100.00%

4.1.4 List of Major Shareholders

Apr. 2, 2023 Unit: shares

Shareholder's Name	Shareholding	Shares	Percentage
China Aviation Development Foundation		1,867,341,935	31.05%
National Development Fund of The Executive Yuan		519,750,519	8.64%
New Labor Pension Fund		58,368,669	0.97%
Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds		37,528,442	0.62%
China Airlines Ltd. Employee Stock Ownership Trust Plan		36,062,529	0.60%
Norges Bank		29,251,821	0.49%
Wan Hai Lines Ltd.		27,453,862	0.46%
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD		24,572,146	0.41%
Lin, Hon-Lian		18,550,000	0.31%
Government pension investment fund investment account		18,433,000	0.31%

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: Thousand shares; NT\$

Items	Year	2021	2022	2023
		(Distributed in 2021) (Note 10)	(Distributed in 2022) (Note 11)	(As of APR 2) (Note 9)
Market Price per Share (Note 1)	Highest Market Price	31.15	31.95	21.30
	Lowest Market Price	9.97	15.80	18.65
	Average Market Price	20.44	25.52	19.97
Net Worth per Share (Note 2)	Before Distribution	12.47	11.64	-
	After Distribution	11.60	11.64	-
Earnings per Share	Weighted Average Shares	5,615,684	5,996,406	-
	Diluted Earnings Per Share (Note 3)	1.67	0.48	-
Dividends per Share (Note 8)	Cash Dividends		0.83636529	0.46099444
	Stock Dividends	Dividends from Related Earnings	-	-
		Dividends from Capital Surplus	-	-
	Accumulated Undistributed Dividends (Note 4)		-	-
Return on Investment	Price / Earnings Ratio (Note 5)	10.72	48.33	-
	Price / Dividend Ratio (Note 6)	21.4	50.33	-
	Cash Dividend Yield Rate (Note 7)	4.67%	1.99%	-

* If shares are distributed in connection to a capital increase out of earnings or capital reserve, further disclosed information on market prices and cash dividends will be retroactively adjusted based on the number of shares after distribution.

Note 1: Annual Average Market Price = Annual Turnover Value/Trading Volume.

Note 2: It is based both on the number of issued shares at the end of the year and on the distribution decided on at the Shareholders' Meeting in the following year.

- Note 3: For those requiring retroactive adjustment due to stock grants, both the pre-and post-adjustment EPS should be listed.
- Note 4: When issuing equity securities, provisions may be made to accumulate undistributed dividends for the year and to postpone distribution until a year when profit is made. The dividends accumulated over the period ending in the year of distribution should be disclosed.
- Note 5: P/E Ratio = Average market price of a share in the current year/EPS.
- Note 6: P/D Ratio = Average market price of a share in the current year/cash dividend per share.
- Note 7: Cash dividend yield = Cash dividend per share/average market price of a share in the current year.
- Note 8: In accordance with Taiwan Stock Exchange regulations, treasury share effects have already been considered.
- Note 9: Net worth per share and EPS are calculated based on the financial statement for the most recent quarter of which has been verified by an accountant. All other fields are based on the data of the current year until the publication date of the annual report.
- Note 10: 2021 surplus allocation plan resolution passed at the 4th meeting of the 22nd Board of Directors on March 15, 2022, and it will be sent to the 2022 shareholders' meeting for recognition.
- Note 11: 2022 surplus allocation plan resolution passed at the 9th meeting of the 22nd Board of Directors on March 9, 2023, and it will be sent to the 2023 shareholders' meeting for recognition.
- Note 12: The Company's 2022 final daily closing price was NT\$19.00.

4.1.6 Dividend Policy and Implementation Status

A. Dividend policy

The CAL Articles of Incorporation outlines the following dividend policy:

If the Company makes a profit over the year, an amount of no less than 3% of the profit must be distributed as employee compensation. If the Company has accumulated losses, funds must be retained to offset the deficit.

The aforementioned employee compensation is primarily dispersed as stock or cash and the resolution must be approved at a meeting of the Board of Directors with two-thirds of directors in attendance which must receive support from half of participating members.

Should the Company make a profit over the year, said profit must first be used to pay all taxes and offset accumulated losses. Then, 10% of the remaining amount is to be set aside as a legal reserve. After setting aside or reversing a special reserve, any remaining amount along with accumulated undistributed earnings shall be distributed as shareholder dividends and bonuses according to the consensus drawn up by the Board:

- (1) Not less than 50% of the amount shall be distributed as shareholder dividends and bonuses. After pretax profits are deducted as outlined above, should the amount left not be sufficient for distribution, the difference will be made up by accumulated undistributed profit.
- (2) In the event of a yearly loss, depending on the financial, operation, and management considerations, all or part of the legal reserve may be distributed as new stock or cash as prescribed by law and competent authority regulations.
- (3) Dividends and bonuses are distributed as stock or cash with cash dividends making up no less than 30% of the total distributable dividends.

B. Proposed distribution of dividend

The Company's 2022 surplus allocation plan resolution has passed at the 9th meeting of the 22nd Board of Directors on March 9, 2023, and it will be sent to the 2023 shareholders' meeting for recognition.

C. No significant change in expected future dividend policy.

4.1.7 Impact of Stock Dividends Issuance on Company's Business Performance and Earnings per Share: Not Applicable.

4.1.8 Employees' Compensation and Directors' Remuneration

A. Articles of Incorporation regulations: See 4.1.6 Dividend Policy and implementation status.

B. The basis for estimating the amount of employee compensation and director bonuses, the basis for calculating the number of shares to be distributed as stock bonuses, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure

As stipulated in the Company's Articles of Incorporation, it will not pay remuneration to the directors. If there is a significant change in the estimated amount of compensation to employees as resolved by the

board of directors prior to the date of approval of the annual financial statements, the change is adjusted to the annual expense. If there is still a change in the amount after the date of approval of the annual financial statements, the change is treated as a change in accounting estimate and recorded in the following year.

C. Board approval of employee compensation and director bonus proposal

(1) In terms of the distribution on the amount of employee bonuses (including stock and cash) and director bonuses distributed, if the actual amount distributed differs from the original estimated amount, the difference, reason, and how this was handled is to be disclosed:

In the resolution of the Board of Directors' Meeting on March 9, 2023, the Company resolved to pay employees' compensation in cash in the amount of NT\$120 million for the year 2022. As stipulated in the Company's Articles of Incorporation, it will not pay remuneration to the directors. If there is any difference between the above estimated amount and the actual amount to be paid, the difference is treated as a change in accounting estimate and adjusted in the next year.

(2) The amount of any proposed distribution of employee stock bonuses and the size of such an amount as a percentage of the sum of the net income for the current period and total employee bonuses: Not Applicable.

D. The actual employee compensation and director bonuses distributed for the previous year (2021) (including the number of shares distributed, value, and stock price). Should there be a discrepancy with the proposed amount of employee compensation and director bonuses, the difference, reason, and how this was handled, it should be stated

(1) Employee compensation: There is no difference between the proposed distribution of employee remuneration approved by the board and the actual distribution amount.

(2) Director bonuses: Not Applicable.

4.1.9 Buyback of Treasury Stock: None.

4.2 Bonds

4.2.1 Corporate Bonds

Apr. 2, 2023

Corporate Bond Type	Domestic Unsecured Straight Bond (2017 First)	Domestic Unsecured Ordinary Corporate Bonds (2018 First)	Domestic Unsecured Ordinary Corporate Bonds (2019 First)	The Seventh Issuance of Domestic Unsecured Convertible Corporate Bonds	
Issue date	05/19/2017	11/30/2018	06/21/2019	04/28/2021	
Denomination	NT\$1,000,000	NT\$1,000,000 per unit	NT\$1,000,000 per unit	NT\$100,000 per unit	
Issuing and transaction location	Republic of China	Republic of China	Republic of China	Republic of China	
Issue price	Par	Par	Par	Issued at 100% of par value	
Total price	NT\$2,350,000,000	NT\$4,500,000,000	NT\$3,500,000,000	NT\$450,000,000	
Coupon rate	Tranche A: 1.20% per annum Tranche B: 1.75% per annum	Tranche A: 1.32% per annum Tranche B: 1.45% per annum	Tranche A: 1.10% per annum Tranche B: 1.32% per annum	0.00% per annum	
Tenor	Tranche A: 3 years (May 19, 2017 to May 19, 2020); Tranche B: 7 years (May 19, 2017 to May 19, 2024)	Tranche A: 5 years (November 30, 2018, to November 30, 2023); Tranche B: 7 years (November 30, 2018, to November 30, 2025)	Tranche A: 5 years (June 21, 2019 to June 21, 2024); Tranche B: 7 years (June 21, 2019 to June 21, 2026)	5 years (April 28, 2021 to April 28, 2026)	
Guarantee agency	Not applicable	Not applicable	Not applicable	Not applicable	
Consignee	Huanan Commercial Bank	Huanan Commercial Bank	Taishin International Bank	ChinaTrust Commercial Bank Trust Department	
Underwriting institution	Masterlink Securities Ltd.	Fubon Integrated Securities Ltd.	Fubon Integrated Securities Ltd.	Taishin Integrated Securities Ltd.	
Certified lawyer	Ture Honesty International Law Office Kuo, Hui-Chi, Attorney at Law	Ture Honesty International Law Office Kuo, Hui-Chi, Attorney at Law	Ture Honesty International Law Office Kuo, Hui-Chi, Attorney at Law	Handsome Attorney-at-Law Chiu, Ya-Wen, Attorney at Law	
CPA	Yang, Chen-Hsiu (Deloitte & Touche)	Yang, Cheng-Hsiu (Deloitte & Touche)	Huang, Jui-Chan (Deloitte & Touche)	Not applicable	
Repayment method	One-time repayment of capital upon maturity.	Tranche A: Repayment of 50% of the principal at the end of the fourth year and the remaining 50% at the end of the fifth year; Tranche B: Repayment of 50% of the principal at the end of the sixth year and the remaining 50% at the end of the seventh year	Tranche A: Repayment of 50% of the principal at the end of the fourth year and the remaining 50% at the end of the fifth year; Tranche B: Repayment of 50% of the principal at the end of the sixth year and the remaining 50% at the end of the seventh year	According to the offering of Domestic Unsecured 7th convertible bond section 6	
Outstanding principal	NT\$1,000,000,000	NT\$3,275,000,000	NT\$3,500,000,000	NT\$2,288,800,000	
Terms of redemption or advance repayment	None	None	None	According to the offering of Domestic Unsecured 7th convertible bond section 18 and 19	
Restrictive clause	None	None	None	None	
Name of the credit rating agency, rating date, and rating of corporate bonds	None	None	None	None	
Other rights attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs, or other securities	Not applicable	Not applicable	Not applicable	NT\$2,211,200,000 converted
	Issuance and conversion (exchange or subscription) method	Not applicable	Not applicable	Not applicable	According to the offering of Domestic Unsecured 7th convertible bond section 8 and 9
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity	Not applicable	Not applicable	Not applicable	(Note)	
Transfer agent	None	None	None	None	

Note: As of April 2, 2023, if the remaining domestic unsecured 7th convertible bonds are fully converted, the maximum dilution ratio will be 2.08%, but there is no significant change in the shareholding structure and the impact on shareholders' equity is not significant.

4.2.2 Corporate Bonds Undergoing Private Placement: None

4.2.3 Convertible Bonds

Unit: NT\$

Types of Corporate Bonds		Domestic Unsecured 7th convertible bond	
Year		2022	The current year until April 2, 2023
Item			
Convertible Bond Market Price	Highest	167.00	122.5
	Lowest	104.00	109.50
	Average	134.16	115.64
Conversion Price		18.30	18.30
Issuance date and conversion price at the time of issue		The convertible bonds were listed on the Taipei Exchange on April 28, 2021, and the conversion price upon issuance was NT\$19.00. Due to the distribution of 2021 cash dividends and according to the rules for the issue and conversion of the 7th series unsecured corporate bonds, the conversion should be adjusted to NT\$18.30.	
Conversion method		Issue new shares.	

4.2.4 Exchangeable Bond, Shelf Registration, Shelf Registration: None.

4.3 Other Securities-Related Issues

4.3.1 Preferred Shares: None.

4.3.2 Global Depository Receipts: None.

4.3.3 Employee Stock Options: None.

4.3.4 Employee Restricted Stock: None.

4.3.5 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

4.4 Financing Plans and Implementation

As of April 2, 2023, the use of funds earned through previously issued securities is progressing as planned and is in accordance with expected results.

Operational Highlights

5.1 Business Activities

5.2 Market and Sales Overview

5.3 Human Resources

5.4 Environmental Protection Expenditure

5.5 Labor Relations

5.6 Important Contracts

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

A. Main areas of business operations

1. Civil air transport and General aviation
2. Airport ground services
3. Air cargo terminal entrepot
4. Aircraft and parts maintenance and manufacturing
5. Inflight catering services
6. Laundry, dyeing, printing and finishing, and wholesale and retail of dyeing mills and dyestuff cleaning supplies
7. Warehouse and storage
8. Other: All business items that are not prohibited or restricted by law, except for those that are subject to special approval.

B. Revenue Distribution

Unit: NT\$ thousands

Item	2022	
	Net Revenue	Proportion of Revenue
Passenger Revenue	25,481,670	17%
Cargo Revenue	116,249,972	77%
Other	8,990,829	6%
Total	150,722,471	100%

C. Main services

- (1) Passenger services: Air passenger transport and regularly scheduled and non-scheduled contract international charter flight services.
- (2) Cargo services: Transport services for cargo, courier, mail, and packages.
- (3) Ground services: Handling of luggage and cargo, aircraft cleaning, and on the ground support equipment.
- (4) In-flight sales: Provisioning of in-flight duty-free sales services.
- (5) Airline catering: Provisioning of meal services to airlines.
- (6) Warehousing and logistics services: Provisioning of airfreight forwarding and logistics services.
- (7) Aircraft maintenance services: Airframe, engine, and aircraft component maintenance.
- (8) Tourism and leisure services: General hotel industry and travel services.
- (9) Investment holding and leasing services: Engagement in real estate investment, building management, and leasing.
- (10) Civil aviation personnel training: Organizing maintenance training courses and developing professional maintenance personnel.

D. Product Development

- (1) In-flight entertainment system upgrades on 738 regional routes.
China Airlines continues to improve the quality of cabin services. In order to meet demands in the post-pandemic period, the development of in-flight video systems used in the industry has moved toward the direction of digital platforms “reducing contact, functioning without a form”. The relevant system platform for the cabin hardware equipment on the 737-800 fleet was installed in 2022, officially launching the in-flight wireless entertainment system services. The

implementation enables passengers to use their own mobile phones or smart devices in the aircraft to enjoy exciting content and a reassuring cabin experience.

(2) Cabin of new A321neo fleet

As of the end of 2022, we have 10 units of the new A321neo plane. Each plane has 180 seats in the cabin, and the planes feature two cabin classes, a business class with 12 full flatbed seats, and a new type of economy class with 168 spacious seats. It offers the latest generation of in-flight video entertainment systems. There are industry-leading 4K personal TV screens that support Bluetooth headsets so that passengers can enjoy the audio-visual content with their own headsets. The plane is equipped with the industry's fastest wireless Internet access to provide passengers with a wonderful and comfortable travel experience.

(3) Cabin of new 787 fleet

In order to align itself with the delivery schedule of the first unit of the new wide-body 787 passenger aircraft in Q1 2024, China Airlines has officially begun the cabin planning project of the new aircraft in Q4 2022 and completed the selection of equipment such as seats and video systems. The new fleet will feature the latest cabin seat equipment, high-definition personal video entertainment system, and in-flight Internet, hoping to provide passengers with a better quality and comfortable journey.

5.1.2 Industry Overview

A. State of the industry and future development

(1) Economic outlook

According to the forecast of the International Monetary Fund (IMF) in January 2023, the COVID-19 pandemic, geopolitical tension (Russo-Ukrainian War), China's strict lockdown and energy crisis have caused global inflation and changes in the supply chain, leading to the 3.4% in global economic growth rate in 2022; advanced economies reached 2.7% and emerging markets reached 3.9%. Looking forward, the unexpectedly strong demand in the US and Europe, the easing of energy costs, and China's lifting of lockdown to reopen the economy may lead the global economy to a 2023 growth rate of 2.9%, in which the advanced economies will reach 1.2% and emerging markets will reach 4.0%.

As for the inflation trends, the IMF stated that the strong US dollar in 2022 might lead to tension in international trade relations and add pressure to imported inflation due to the continuing inflation, forcing countries to adopt tightened monetary policies (raising interest rates). IMF predicted that the global inflation rate - Consumer Price Index (CPI) will go down to 6.6% in 2023 and 4.3% in 2024 after peaking at 8.8% in 2022. The IMF said that the risk of recession in countries has subsided, but there is still a long way to go in the fight against inflation. Inflation and the war between Russia and Ukraine will continue to have an impact on economic activities. The FED also stated that the extent of future interest rate hikes still depends on the impact of interest rate hikes so far (prices of raw materials, service industry demand, job market), the monetary policy hysteresis, and the progress of economic and financial conditions.

As a small open economy, Taiwan's growth momentum is bound to be affected by changes in the global situation. Affected by the slowdown in the global economy, declining demand, and inventory adjustments, exports have shrunk rapidly. The Directorate General of Budget, Accounting and Statistics of the Executive Yuan in February 2023 announced its latest forecast of Taiwan's 2022 economic growth rate at 2.45%, while the estimates from other major agencies were between 2.91% and 3.45%. In terms of the inflation rate, the 2022 CPI was estimated at 2.95%, while the estimates from other major agencies were between 2.77% and 3.10%.

The 2023 economic growth rate was estimated to be 2.12%, and other major agencies estimated it to be between 2.30% and 3.00%. In terms of the inflation rate, the 2023 consumer price index was estimated to be 2.16%, while other major agencies estimated it to be between 1.88 and 2.20%. Compared with most major economies, Taiwan's inflation is relatively stable.

(2) Oil prices

Global crude oil prices in 2022 fluctuated violently as they were influenced by the tense situation in Russia and Ukraine at the beginning of the year. Among them, the price of Brent crude oil soared in March to US\$134.71 per barrel, the highest since July 2008 (US\$144.52 at one time). However, in the second half of the year, due to negative factors such as tightening policies by global central banks, the economic slowdown in the United States and Europe, a strong US dollar, and China's zero-tolerance pandemic policy, oil prices eventually fell from high levels. The U.S. Energy Information Administration (EIA) pointed out in its Short-Term Energy Outlook report issued in January 2023 that the average price of West Texas Intermediate (WTI) in 2022 was US\$94.91 per barrel; the average price of Brent crude oil was US\$100.94 per barrel; and the average price of jet fuel was US\$141.98 per barrel.

(3) Air passenger market

According to the IATA's February 2023 report, the 2022 revenue passenger kilometers (RPK) have returned to 68.5% of the 2019 level. The pace of recovery in different regions of the world varied, and the fastest was in the North American market, reaching 88.7%, Central and South America reached 85.8%, and Europe reached 77.8%. The Asia-Pacific region was affected by factors such as strict pandemic control measures and slower opening of the borders, and the recovery only reached 44.4% of the level before the pandemic. With the reopening of the borders of many countries, the RPK in 2022 recovered to 62.2% of the level during the same period in 2019, and the available seat kilometers (ASK) reached 65.0% of the 2019 level. Benefiting from the gradual recovery of global tourism after the pandemic period, the overall passenger revenue is expected to reach US\$438 billion (72% of the pre-pandemic level).

(4) Air cargo market

The global air cargo market in 2022 has calmed down after a high growth rate in 2021. Due to the ever-changing pandemic situation, the war between Russia and Ukraine, and the sharp increase in energy and food prices, inflation has worsened. Due to that countries have tightened monetary policies (raising interest rates), and the slowdown in global end demand, high inventory level, and global economic recession, IATA estimated that the freight revenue tonne-kilometers (FRTK) in 2022 has returned to 98.4% of the same period in 2019, and the freight available tonne kilometers (FATK) returned to the 91.0% of the level in 2019. Due to the increase in the bellyhold capacity of passenger transport and the drop in sea freight rates, the gap between the prices of air and sea freight widened. Air cargo was under the pressure of oversupply, and the overall air cargo revenue in 2022 decreased from US\$204.2 billion in 2021 to US\$201.4 billion.

B. Relationship between upstream, midstream, and downstream firms

The air transport service industry primarily provides transportation for passengers and cargo. These operations rely on the support and assistance of upstream, midstream, and downstream industries that enable CAL to provide comprehensive services and meet customers' needs.

(1) Upstream industries

Primarily for the manufacturing of aircraft, aircraft engine, and handling on the ground equipment, such as towing vehicles, loading vehicles, and equipment needed on the apron. Currently, in addition to purchasing aircraft, Taiwanese airlines also utilize leasing to add to their fleets, therefore, the aircraft leasing industry is also an upstream industry for air transport providers.

(2) Midstream industries

Primarily for airlines themselves and related supporting industries, such as the oil industry that provides aviation fuel, the aircraft maintenance industry that repairs and maintains airlines' aircraft and components, and the airline catering industry that provides in-flight meals. In response to the changing needs of downstream industries, the air transport industry's strategic adjustments in their operating scale, fleets, or flight networks will also affect the development of upstream industries.

(3) Downstream industries

In passenger transport, the air transport industry primarily serves the public and travel agencies while cargo transport services are provided to the courier and freight forwarding industries. As a member of the air transport industry, the needs of downstream customers are at the core of the CAL's product and services planning. The mission is to provide safe, convenient, and thorough services.

C. Product development trends

(1) Aviation alliance cooperation

With the liberalization of the air-transport market, airports have become increasingly congested. With limited resources, airlines provide passenger transportation services in the form of alliance teams, adopting practices such as code-sharing, extended route-agency systems, and combined mileage accumulation for frequent flyer programs. Aviation alliance collaborations also include operating in the same terminal at major airports, sharing maintenance facilities and operating equipment, mutual support of personnel, and collaboration in ground handling and inflight catering to reduce costs. Benefiting from alliance collaboration, passengers are able to purchase flight tickets at a lower price, and earn miles as long as they fly with alliance airlines. Flight schedules provided by the alliance are more flexible with fewer transits, making it more convenient for passengers to reach their destination. China Airlines is currently one of the 18 member airlines of SkyTeam. Through extensive global network collaboration, CAL provides transportation services in 170 countries and to 1,062 destinations.

(2) Grasping logistics trends and expanding strategic planning for cargo transportation

As of December 2022, China Airlines has 22 units of cargo-only freighters, which include 17 units of 747-400F capable of loading specialized large goods and 5 units of fuel-efficient 777F. They fly to 14 countries in Europe, Asia and the Americas, covering 36 destinations, with an average of 97 flights on a

weekly basis. We have continued to strengthen the position of Taiwan as a trans-shipment hub, cultivate existing markets, and actively develop potential markets, such as 5G, micro high-tech, automotive electronics, semiconductors, and other industries, making good use of air rights and new cargo capacity. In response to industry information, market dynamics, and expedited cargo transportation needs, such as for rescue and medical treatment, telecommunication, vaccines, wafer machinery, automobiles, garments, e-commerce, etc., we arrange additional flights or chartered flights as needed to maximize our overall capacity.

(3) Taoyuan International Airport expansion to become the transit hub in East Asia

With the liberalization of the air-transport market, airports have become increasingly congested. With limited resources, airlines provide passenger transportation services in the form of alliance teams, adopting practices such as code-sharing, extended route-agency systems, and combined mileage accumulation for frequent flyer programs. Aviation alliance collaborations also include operating in the same terminal at major airports, sharing maintenance facilities and operating equipment, mutual support of personnel, and collaboration in ground handling and inflight catering to reduce costs. Benefiting from alliance collaboration, passengers are able to purchase flight tickets at a lower price, and earn miles as long as they fly with alliance airlines. Flight schedules provided by the alliance are more flexible with fewer transits, making it more convenient for passengers to reach their destination. China Airlines is currently one of the 18 member airlines of SkyTeam. Through extensive global network collaboration, CAL provides transportation services in 170 countries and to 1,062 destinations.

(4) Digital transformation of the aviation industry to provide diverse payment services

According to the “Airline distribution and retailing: How payment innovation can help airlines improve customer experience and the bottom line” released by McKinsey in September 2022, the aviation industry can generate up to US\$40 billion in additional revenue per year in 2030. In addition to the retailing revenue of US\$40 billion, airlines will bring potential business opportunities of US\$14 billion, of which US\$8 billion will come from the sales of ancillary products or services, including enhancing loyalty programs and providing flexible exchange and refund processes; US\$2 billion is in digital solutions reducing payment cost, particularly for B2B or corporate sales for better cost efficiency; and US\$4 billion comes from the optimization of payment experience (diverse payment) to provide the most suitable ordering process and payment method to optimize the customer experience. Reservation and payment are important links in the customer experience journey. Every opportunity point and channel in contact with customers has business opportunities to increase added value. Improving payment experience will help reduce costs, and increase revenue and customer satisfaction. China Airlines has added mobile payment options to provide passengers with diverse payment choices. Among them, LINE Pay services can be used for ticket purchases, ticket change fees, seat selection, pre-purchase excess checked baggage payments, and Email shopping on routes departing from Taiwan, providing travelers with a more convenient and secure payment experience for passengers.

D. Product competitiveness

China Airlines mainly provides regular/irregular flights that carry cargoes and passengers as well as charter flight services. The Company will continue to optimize the aviation network and fleet scale to enhance the overall service quality, maintaining its solid role as a leading carrier in Taiwan.

Taiwan National Airlines International and Cross-Strait Market Share for Passengers and Cargo in 2022

Airline	Passenger	Cargo
China Airlines	25.62%	40.61%
EVA Air	37.52%	29.51%
Mandarin Airlines	0.85%	0.27%
UNI Air	0.48%	0.18%
Tigerair Taiwan	2.64%	0.01%
STARLUX Airlines	5.73%	0.49%
Other-Foreign Carriers	27.16%	28.93%

Source: Civil Aeronautics Administration Monthly Statistics from January to December 2022 - Taiwan National Airlines International and Cross-Strait Market Share for Passengers and Cargo

IATA Global International Route Passenger and Cargo Rankings 2021

Passenger (Passenger-Kilometers) Ranking Unit: million			Cargo (Ton-Kilometer) Ranking Unit: million		
1	American Airlines	219,663	1	Federal Express	20,660
2	Delta Air Lines	194,849	2	Qatar Airways	16,102
3	United Airlines	178,084	3	United Parcel Service	15,530
4	Southwest Airlines	166,669	4	Emirates	11,842
5	China Southern Airlines	110,644	5	Korean Air	10,430

Passenger (Passenger-Kilometers) Ranking Unit: million			Cargo (Ton-Kilometer) Ranking Unit: million		
6	China Eastern Airlines	88,545	6	Turkish Airlines	9,223
7	Ryanair	86,138	7	Cargolux	8,588
8	Turkish Airlines	84,957	8	Atlas Air	8,442
9	Qatar Airways	72,293	9	Cathay Pacific Airways	8,215
10	Emirates	69,384	10	China Southern Airlines	8,078
11	Air China	67,474	11	China Airlines	7,513
12	JetBlue	66,243	12	Air China	7,016
13	Air France	62,347	13	Kalitta Air	6,597
14	Alaska Airlines	57,482	14	AeroLogic	6,245
15	Spirit Airlines	51,701	15	AirBridgeCargo Airlines	5,541
16	Aeroflot Russian Airlines	51,556	16	Singapore Airlines	5,463
17	LATAM	49,376	17	Lufthansa	5,324
18	Lufthansa	47,833	18	All Nippon Airways	5,075
19	IndiGo	46,081	19	EVA Air	4,785
20	KLM	40,912	20	United Airlines	4,778
21	Hainan Airlines	37,516	21	Asiana Airlines	4,368
22	S7 Airlines	36,757	22	Ethiopian Airlines	3,757
23	Volaris	34,897	23	Air France	3,632
24	Beijing Capital Airlines	34,614	24	Etihad Airways	3,508
25	Wizz Air	33,285	25	Polar Air Cargo	3,432
26	Xiamen Airlines	32,868	26	Japan Airlines	3,351
27	Frontier Airlines	32,773	27	KLM	3,333
28	Sichuan Airlines	32,397	28	China Eastern Airlines	3,271
29	Skywest Airlines	32,197	29	Silk Way West Airlines	3,105
30	Shenzhen Airlines	30,754	30	China Cargo Airlines	3,047
31	British Airways	29,659	31	American Airlines	3,037
32	easyJet	29,388	32	LATAM	2,863
33	Air Canada	29,215	33	British Airways	2,782
34	Shandong Airlines	26,856	34	Southern Air	2,590
35	Spring Airlines	26,227	35	Nippon Cargo Airlines	2,297
36	Azul Brazilian Airlines	24,807	36	Delta Air Lines	2,136
37	Iberia	24,353	37	Air Canada	2,097
38	Pobeda	24,082	38	Saudi Arabian Airlines	1,947
39	Ethiopian Airlines	21,899	39	ASL Airlines Belgium	1,869
40	Rossiya Airlines	21,834	40	Air Transport International	1,773
41	Aeromexico	21,594	41	Virgin Atlantic Airways	1,743
42	Saudi Arabian Airlines	21,165	42	SF Airlines	1,603
43	GOL	21,152	43	SWISS	1,247
44	Juneyao Airlines	20,940	44	European Air Transport	1,232
45	Pegasus Airlines	20,588	45	Avianca	1,203

Source: IATA WATS 2022 Ranked by Passenger & Cargo Traffic

E. Intellectual property

The Company has internal regulations governing the management of a corporate identity system and has a brand- management platform for control and management. The scope includes the Company's office buildings and airport terminals (indoor and external signboards, marks and signs, etc.), transportation, advertisements, printing matters, inflight and ground service supplies, logos, products, other installations, publishing, and broadcasting with the application of corporate identity covered by the Corporate Identity System Guideline (hereinafter referred to as the "CIS Guideline"). By managing the Company's corporate identity, application, and authorization of corporate logos (i.e., trademarks), and through reviewing the plan, CAL maintains the consistency of corporate identity exposure, unifies the Company's visual identity, and strengthens the Company's corporate image. According to the corporate identity and enterprises in units in Taiwan and abroad, the Company will discuss and report the implementation method every two years and notify the units to be audited by e-mail or memo. The units that have to be audited need to be uploaded as audit samples on the brand- management platform to the concerned unit for review (or for an on-site audit) to protect the Company's trademark rights under the protection of law.

5.1.3 Research and Development (R&D)

A. Costs of R&D investment and successfully developed technologies or products

From January 1, 2022, the Company has invested approximately NT\$64.46 million in research and development. The following table summarizes the technologies and products developed:

Project	R&D Project Description
Log system for joint operation control	Applying new technologies and structures to strengthen the existing processes and optimize the operation interface, the project plans to build a new edition of the log system for joint operation control for the System Operation Control Division to edit daily operation logs, and management units to have the complete description of the event handling process, which will continuously improve the performance of the operation control. The system was completed in February 2022.
Food cart management system	This project utilizes the convenience and mobility of mobile devices with an App to accurately grasp the number and flow of food carts through code scanning, effectively control the access status and inventory of carts in real-time, and provide the best configuration of carts in time to continuously improve the efficiency of food cart management operations. The project was completed and became operational in May 2022.
Optimization of "Quality Document Management System"	Optimize the existing "Quality Document Management System", including back-end management functions and front-end user interface, as well as auditing the personnel information system, company organization system, and e-document system. The development of a new flexible "Quality Document Management System" which can be flexibly adjusted to meet future needs to improve the user environment, strengthen the system stability for diverse compatible environments and browsers, and conform to the current system design and the Company's information strategy. The project was completed and became operational in May 2022.
CRM - Phase II (marketing enhancement and process improvement)	Phase II of the CRM project is to focus on "marketing enhancement" and "process improvement", extending from members to every passenger's service and product planning. The project includes the continuous expansion of Customer 360, the optimization of Marketing Cloud, the automation of customer journey notifications, and the automation of e-commerce travel marketing. The project was completed and started up and running in July 2022.
Promotion of Digitization of Authorized Release Certificates	China Airlines has been approved by the Civil Aeronautics Administration (CAA) to use electronic documents and signatures to replace manual signatures for authorized release certificates. The project has been extended to the U.S. and European civil aviation authorities to digitize documents and reduce paper consumption, which can improve environmental protection and sustainable operation. The project was completed and became online in November 2022.
Construct local network and protection protocols for foreign stations	Currently, all the PCs in the offices of overseas stations are connected to the Internet from the head office. However, the overseas stations in Europe and the U.S. are far away from the head office, which takes longer transmission time to access the Internet, further causing a slow response from the foreign stations in Europe and the U.S. to access local banks and other websites. We proposed to introduce a cloud information security service to access the Internet from the nearest nodes to improve the efficiency of Internet access. The project was completed and became operational in July 2022.
Process improvement to the customer service system	To optimize the overall customer service process, existing interface, and data security mechanism, we have strengthened the automatic and digital process. Financial and human resource systems are interlinked to provide a full picture of customers' consumption patterns, effectively enhancing service efficiency. The project was completed and became operational in February 2023.
Enterprise big data platform conversion	In order to properly maintain the Company's big data platform, we have carefully assessed and started the conversion project in 2022 to transfer the data operations to other platforms for successive services, so as to save the overall data storage and operation and maintenance cost, and to achieve the integrated system management and maintenance efficiency. The project was completed and became up and running in November 2022.
Digital Health Passport integration	In response to the Ministry of Health Services' plan to launch the digital health certificate for vaccines in 2021, we have created a verification app for airport operators to check and verify the correctness of the digital health certificates presented by passengers and to speed up the process of passenger check-in. The project was completed and became operational in February 2022.
ORACLE database upgrade (Version 19C)	In response to that the main version (11) of the ORACLE database has entered the market-driven support phase, we planned to complete the database version (19C) upgrade before the end of the original market-driven support. A total of 15 important databases, including Exadata X7 and DR, were projected to be upgraded to version 19C by outsourced vendors. The project was completed and became operational in December 2022.
Server room refinement	Replace old equipment in the server room, improve hardware, reduce hardware failure risk, and strengthen monitoring software information security capabilities. The implementation includes the renovation of computer service desk TV walls, optimization of server room cabinets/electricity/network cables/raised floors, optimization of server KVM management protocols, new-generation monitoring protocols and server room environmental control, and promotion of face recognition multi-factor access control system. The project was completed and became operational in December 2022.

B. Future R&D projects

To meet future developmental needs, China Airlines will continue to invest in R&D. A total of NT\$163.78 million into R&D is being planned for investment in 2023. The following table summarizes the future projects:

Project	Future R&D Project Description	Estimated Completion Date
New cargo operation and management system	By incorporating the use of an external cargo operation and management system, we improve the management of cargo revenue and consolidate the existing cargo services system CCNet and cargo operation financial system (CIRAS). It is expected that the implementation can support the cargo business in the next ten to twenty years to achieve an efficient revenue forecast and price management.	July 2024 (Implementation progress was 27% as of the annual report printing date)
CRM - Phase II - Customer experience and marketing optimization	Consolidate passenger-related information, and integrate important information such as member databases, ticket files, reservations, in-flight duty-free products, customer service CSS (Customer Service System), and other platform data to meet member service and marketing databases analytics demand.	December 2023 (Implementation progress was 0 as of the annual report printing date)
New membership system	The development of the current Dynasty Flyer Program System (DFPS) was outsourced and launched in 2013. In response to the new trends in aviation industry services and new expectations for membership benefits in the post-pandemic era, we have launched a membership system upgrade plan. We effectively segment members by their contribution, and take building member loyalty as a core objective for the future membership system, which will establish membership benefits, direct marketing, and relationship management in the future.	June 2024 (Implementation progress was 0% as of the annual report printing date)
Official website ticketing system DES conversion	In response to the lifting of border restrictions in various countries and the gradual recovery of operating capacity, many airlines are committed to improving their website services and ticket purchase experience. We have introduced the Digital Experience Suite (DES) ticketing to improve the purchase experience and online self-service, aiming to increase the conversion rate of the overall ticket purchase transactions.	March 2024 (Implementation progress was 0% as of the annual report printing date)
Cargo revenue accounting integrated system (CIRAS) 2.0	Accurately review the receipt data in the front-end system, generate accounting records, and compare the differences in freight and miscellaneous charges in real time to ensure freight revenue. It also controls the accounts receivable of each station, and provides freight forwarders with a convenient distribution of bills of lading and bill inquiry and other functions.	July 2024 (Implementation progress was 6% as of the annual report printing date)
New crew flight system	This project applies new technologies and structures to simplify the operations, optimize the operating interface and refine management functions. The plan to build a new edition of the crew flight system can continuously improve efficiency. The project was completed and became operational in January 2023.	January 2023 (Implementation progress was 100% as of the annual report printing date)
New joint control information inquiry system	This project applies new technologies to improve expandability and maintainability, optimize the operating interface and refine management functions. The plan to build a new edition of the joint control information inquiry system can help the System Operation Control Division carry out daily flight operations and continuously improve efficiency. The project was completed and became operational in January 2023.	January 2023 (Implementation progress was 100% as of the annual report printing date)
Network backbone bandwidth improvement	According to the infrastructure plan for communication, we have replaced large and medium 10GB backbone switches (about 70 units, raising the speed to 10/40/100GB) in the server room at the CAL Park, floor control rooms, terminals, and cargo stations, upgrading the network architecture and improved performance and services.	April 2023 (Implementation progress was 98% as of the annual report printing date)
Replace domestic telephone private branch exchange	Domestic private branch exchange was replaced with AVAYA systems in 2005, and AVAYA systems have been very stable. In order to effectively maintain and improve the stability of telephone systems, we will start replacing the PBX in Terminals 1 and 2 at Taoyuan Airport in 2023.	June 2023 (Implementation progress was 57.2% as of the annual report printing date)
Optimization of disaster off-site backup computer room	In order to improve the service capacity of the disaster backup computer room, we plan to replace and update switches, firewalls, and other equipment to improve network performance and reduce the risk of hardware failure, so as to establish the capability to quickly restore services and ensure the continuous operation of aircraft.	December 2023 (Implementation progress was 15.5% as of the annual report printing date)

5.1.4 Long-term and Short-term Development

To promote sustainable operations and strengthen international competitiveness, CAL has planned the following short- and long-term passenger and cargo transport developments:

A. Short-term Development

(1) Passenger

- **Strive for business opportunities amid global recovery of passenger transportation**
China Airlines has adopted the three main strategies “Strategic planning in advance”, “Stable layout” and “Precise deployment” to strive for business opportunities amid the global recovery of passenger transportation. After Taiwan resumed its transit services in mid-June 2022 and lifted the border restrictions in October 2022, we added more flights to provide travelers with the most flight options. For 2023, each destination will further resume the original number of flights to meet the ever-growing travel needs. In January, we resumed the flights departing from Hiroshima, Takamatsu and Kaohsiung to Incheon, Osaka, etc. On March 26, we resumed the flights to Busan and Rome to grasp the opportunities in Japan, Korea and Europe, aiming to meet the growing travel needs of domestic citizens.
- **Strive for providing Charter flight services to increase revenue**
During the pandemic, the charter flight business became an important source of income. In 2022, China Airlines continued to undertake commercial charter flights to transport Taiwanese people back to Taiwan, such as special charter flights for Ho Chi Minh City, Vietnam, providing round-trip flights for Taiwanese businessmen, foreign tourists, and humanitarian needs. We have created a new flight experience in the post-pandemic period, launching various charter flights. We have continued to promote various charter flight itineraries (for students, enterprises, and Taiwanese businesses), such as the specialized charter flight for TSMC’s Phoenix plant project, Taiwan’s women’s soccer team to the AFC Women’s Asian Cup in India, etc. to increase revenue.
- **Open new routes to explore transfer business**
The demand for passenger transport has gradually recovered. China Airlines is optimistic about transit business opportunities after the pandemic. In addition to continuing to strive for high-yield direct flight passengers, who are served with the newly launched Airbus A321neo aircraft to optimize regional routes, and launch flights to destinations with potential in Southeast Asia such as Cebu, Chiang Mai, and Da Nang, we have increased transit products such as round-trip flights between North America, Europe and Southeast Asia, Europe and Oceania, Oceania and Northeast Asia, etc. to increase our market share in transit passengers and improve the efficiency of our aviation network, further strengthening Taiwan’s position as a transshipment hub.

(2) Cargo

- **Take advantage of the scale of our cargo fleet**
As the new 777F planes are delivered, we flexibly adjust the schedule to mix the new planes with the existing 747-400F to have both serve the North American routes, so that we manage the North American and reinforce the Central and South American markets. In response to the strong export of Japan’s automobile industry, we have arranged regular round-trip freight flights on the Osaka-Chicago and Nagoya-Chicago routes to cultivate the market of Japan’s export to North America, further leveraging the advantages of large cargo volume and a long range of the planes.
- **Expand long-distance cargo flight network**
We build a cargo flight network with Luxembourg, Amsterdam, and Frankfurt, which serve as the main import and export gateways in Europe, and make full use of bellyhold of our passenger aircraft in Amsterdam, Rome, Frankfurt, London, and Vienna to increase our share of the European market. We also use the transit stops in India (Delhi and Mumbai) and Dubai to improve the benefits of the Fifth Freedom of the Air of the European routes, which will generate revenue from the transportation of import and export of cargo for the Company.
- **Consolidate inter-region cargo flight network**
In terms of regional routes, we will cultivate the Japanese market and continue to meet the import/export freight demand for machinery, automobiles and consumer goods. In response to the zero tariff preferential agreement of the ASEAN meant to improve regional economy and trading, we will increase the number of flights in Southeast Asia to improve our cargo consolidation and dispersion, further improving trans-shipment efficiency and exploring more business opportunities.

B. Long-term Development

(1) Passenger

- Continue the fleet renewal program

In order to improve operational efficiency, we have completed the planning for the replacement of the narrow-body fleet in 2019. Since its introduction into the fleet at the end of 2021, the Airbus A321neo model has now 10 planes in service by the end of 2022, which will gradually replace the Boeing 737-800 passenger aircraft to become the main model serving regional routes. In terms of the replacement of the wide-body fleet, the Company resolved to order 16 Boeing 787-9 passenger planes (with the option to purchase additional 8) in 2022, which will be delivered starting 2025 to replace the A330-300 passenger planes. They will be the main force in the new-generation mid-capacity wide-body passenger aircraft. The all-new cabin design can improve service quality for travelers and enhance our products' competitive advantages.

- Efficient establishment of aviation networks and deepened inter-airline cooperation to increase revenue

We plan our operation network with our new-generation fleet, and flexibly schedule long-distance, intermediate-distance, and regional short-distance routes with Boeing 777-300ER and new-generation long-distance Airbus A350-900, as well as the Boeing 787-9 passenger aircraft, which offers even more flexible dispatch, to facilitate our fleet coordination and improve our competitiveness for the intermediate and long-distance passenger transport network which we will continue to expand in the future. We have actively expanded global service destinations through interline collaboration, reaching tier-one and tier-two cities in Northeast Asia, Southeast Asia, Europe, the US and Canada, New Zealand and Australia to connect to our main routes, which strengthens the overall aviation network and generates more revenue from passenger flights.

- The optimization of cabin products and strengthened brand marketing to enhance passenger experience and increase loyalty

China Airlines will continue to improve personnel services and cabin hardware while providing passengers with the best flight quality and pleasant in-flight services. Brand positioning and a marketing direction that is in line with the brand improvement plan will be established and based on the corporate philosophy, enhancing brand recognition of China Airlines. This will further ensure the consistency of passenger experience and strengthen brand loyalty passengers have for China Airlines' products.

(2) Cargo

- Flexible use of passenger and freight capacity to increase revenue

Facing factors such as inflation, rate hikes, high inventories, and slowing global economic growth in 2023, we will adopt a stable strategy as an alternative used in our expansion during the pandemic, provide products meeting the market scale and services with punctuality, and continue to strengthen our leadership in the Asia-Pacific regional hub. In 2023, we will bring in 2 units of 777F new planes and, depending on the demand changes in the freight market, study the feasibility of speeding up the retirement of the 747-400F cargo fleet, which will improve the efficiency of the entire cargo fleet. We will continue to improve the loading rate and revenue management of the bellyhold of passenger aircraft to maximize cargo revenue.

- Deepen regional collaboration with express delivery companies and interline partners

Continue to collaborate with UPS, DHL, FedEx, and other international express delivery companies, increase the number of flight segments and regions of cooperation between the two parties, strengthen partnerships with foreign airlines in Europe, Asia, the United States, Japan, etc., and deepen the interline business to expand the scale of operation.

- Continue to promote cold chain freight

China Airlines was selected as the "Best Cargo Airline - Asia" by "Air Cargo News" in 2022, and at the same time continued the certification of the IATA Center of Excellence for Independent Validators in Pharmaceutical Logistics (CEIV Pharma), and the freight forwarding specialization has won international affirmation. In 2022, China Airlines carried a total of more than 1,900 temperature-controlled cabinets, an increase of 61% compared with 1,200 in 2021. During the pandemic, we carried a lot of pandemic control supplies, transporting masks, rapid screening reagents, and more than 120 million doses of the vaccines to and from Europe, America, Asia, and Oceania. Also, we assist business operators to use the Envirotainer equipped with e-tech real-time monitoring equipment, effectively enhancing the convenience for operators and the promotion of Envirotainer.

5.2 Market and Sales Overview

5.2.1 Market Analysis

A. Main Sales (Service) Region

An overview of Company passengers/cargo (RPK/FR TK, REV) by region as well as passenger and cargo transport market share over the past two years:

(1) Passenger Routes

Area \ Item	2021			2022		
	No. of Passengers	No. of Passengers	No. of Passengers	No. of Passengers	RPK (Million)	Revenue (NT\$ Million)
Trans-Pacific	29,137	310	1,249	250,901	2,675	6,544
Europe	8,406	78	444	121,787	1,151	3,530
South-East Asia	70,583	174	1,103	646,031	1,591	4,996
Domestic	1,114,817	254	1,949	1,794,734	414	3,257
Hong Kong/ Macau	9,442	7	127	47,373	37	338
North-East Asia	4,669	9	79	401,658	742	3,181
Oceania	4,342	32	212	95,406	612	2,172
Mainland China	48,545	32	901	90,514	73	1,464
Total	1,289,941	896	6,064	3,448,404	7,295	25,482

Note 1: Revenue passenger kilometers (RPK) is equal to the total number of revenue passengers multiplied by the flight distance traveled (kilometers).

Note 2: The above data includes scheduled flights, charter flights, and extra flights.

Note 3: The above data includes Mandarin Airlines and Tigerair Taiwan.

(2) Cargo Routes

Area \ Item	2021		2022	
	FR TK (Million)	FR TK (Million)	FR TK (Million)	Revenue (NT\$ Million)
Trans-Pacific	5,109	77,673	4,007	65,086
Europe	706	9,941	835	13,420
South-East Asia	997	20,414	842	19,499
North-East Asia	261	6,029	233	6,758
Oceania	293	3,468	290	4,063
Mainland China	186	7,016	156	7,424
Total	7,552	124,541	6,363	116,250

Note 1: Freight revenue ton-kilometer (FR TK) is equal to the revenue cargo load (tons) multiplied by the flight distance traveled (kilometers).

Note 2: The above data includes scheduled flights, charter flights, and extra flights.

Note 3: The above data includes Mandarin Airlines and Tigerair Taiwan.

B. Market Share (%) of Major Product Categories in the Last Two Years

Airline	Passengers		Cargo	
	2021	2022	2021	2022
China Airlines	15.32%	25.62%	42.11%	40.61%
EVA Air	31.95%	37.52%	26.61%	29.51%
Mandarin Airlines	1.88%	0.85%	0.27%	0.27%
UNI Air	1.34%	0.48%	0.19%	0.18%
Tigerair Taiwan	0.15%	2.64%	0.00%	0.01%
STARLUX Airlines	4.13%	5.73%	0.17%	0.49%
Other-Foreign Carriers	45.23%	27.16%	30.65%	28.93%

Source: Civil Aeronautics Administration Monthly Statistics from January to December, 2021 and 2022-Taiwan National Airlines International and Cross-Strait Market Share for Passengers and Cargo.

C. Market Analysis of Major Product Categories

(1) Passenger

The global passenger transport market has continued its recovery in 2022. The Asia-Pacific region was affected by factors such as strict pandemic control measures and slower opening of the borders, and the recovery has been seriously lagging behind the world. The data released by the IATA showed that in 2022, the global RPK increased by 64.4% and the ASK increased by 39.8%; the RPK and ASK in the Asia-Pacific region increased by 34.0% and 16.8%, respectively. In terms of the recovery of market demand (compared with the level in 2019), it is expected that the global RPK in 2022 and 2023 will return to 68.5% and 85.5% of the previous level, respectively, and the recovery in the Asia-Pacific region for 2022 and 2023 will return to 44.4% and 70.8% of the previous level, respectively. In terms of the recovery of market supply (compared with the

level in 2019), it is expected that the global ASK in 2022 and 2023 will return to 71.9% and 87.1% of the previous level, respectively, and the recovery in the Asia-Pacific region for 2022 and 2023 will return to 50.6% and 75.5% of the previous level, respectively.

(2) Cargo

The global air cargo market in 2022 faced challenges such as slowing economic growth, high inflation, and weakening end consumer demand. The IATA estimated that the FRTK in 2022 and 2023 would have a year-over-year decrease of 8.0% and 4.1%, respectively. As border restrictions are lifted, the added belly freight capacity from the resumed passenger flights will increase the supply of space, and there will be competitive pricing in the market. The transportation of semiconductor machinery, e-commerce goods, and consumer electronics between Europe, Asia, and the Americas is the main force supporting the air cargo market. The status of excessively high inventory in the second half of 2022 will be alleviated in 2023, and it is expected that the annual cargo volume will be more stable compared with 2022. The recovery of the global economic situation and the restructuring of the supply chain caused by the trade conflict between China and the US will remain the major concerns in 2023.

Under the pressure of oversupply, the 2022 air cargo revenue decreased from US\$204.2 billion to US\$201.4 billion in 2021, and it can further decrease to US\$149.4 billion in 2023. The proportion of cargo revenue also dropped from 40.3% in 2021 to 27.7% in 2022, and then further dropped to 19.2% in 2023. Uncertainties such as inflation, rate hikes, Russo-Ukrainian War, the trade conflict between the US and China, high inventory, etc. will continue to affect the growth of the global economy and trade and the performance of air freight. Freight rates will also continue to decline, which will undoubtedly affect the profitability of the aviation industry. We will pay close attention to the subsequent development and market changes and respond appropriately.

D. Competitive Niche

(1) The new-generation fleet to help enhance service quality

In order to align ourselves with the development strategy for our aviation network and the trend of the post-pandemic period, we will continue the fleet renewal program. Since 2021, we have incorporated the new-generation Airbus A321neo into our operation to strengthen our competitive advantage in regional routes and gradually replace the Boeing 737-800 passenger aircraft to become the main model serving regional routes. We first launched the fleet renewal with new wide-body passenger aircraft in 2018, but the assessment was suspended in 2020 amid the impact of the COVID-19 pandemic. As the pandemic situation eased and the global passenger transport market began to recover, we restarted the assessment in September 2021 and sped up the purchase. After careful assessment, the Company resolved to order 16 Boeing 787-9 passenger planes (with the option to purchase additional 8) in 2022, which will be delivered starting in 2025 to replace the A330-300 passenger planes. They will be the main force in the new-generation mid-capacity wide-body passenger aircraft. The all-new cabin design can improve service quality for travelers and enhance our products' competitive advantages. We will be able to provide travelers with a comfortable and quality cabin experience and demonstrate our attention to detail through contactless and high-standard pandemic control services.

(2) Highly-efficient cargo aircraft to be introduced

We have brought in 6 units of 777F freighters since December 2020. In January 2022, we purchased another 4 units of 777F to gradually replace the 747-400F freighters. As of the end of 2022, 5 units have been delivered. It is expected that 2 units will be delivered in 2023 and then 3 in 2024, and the 777F cargo fleet will have 10 planes by then. The newly introduced 777F freighter is a twin-engine cargo-only aircraft. Its advantages of fuel conservation and high efficiency make it suitable for trans-Pacific routes. Without payload restrictions, the use of space is even more efficient. The whole aircraft is equipped with a complete cargo compartment temperature control, and the main cargo compartment can be loaded with pallet restraint systems for semiconductor machinery and engines, providing the best delivery option for high-value goods such as precision instruments and temperature control. It is a new force for the Company in the post-pandemic period. With the 17 units of 747-400 freighters currently in service, our cargo fleet has 22 planes as of 2022.

(3) International certification of cold chain transportation

We have started working on pharmaceutical cold-chain logistics since 2013. In 2014, we launched the use of active temperature-controlled containers. In 2019, we became the first airline in Taiwan to be CEIV Pharma certified. In 2022, we were once again certified, indicating that our cold chain logistics services are excellent and stable. With years of rich experience in temperature-controlled cargo transportation, dense passenger and cargo flight network, and professional station staff and distribution agents, we have undertaken many missions to carry vaccines purchased by Taiwan, and successfully won business opportunities for re-exported vaccines, playing a leading role in international vaccine distribution. In 2022, we carried a total of more than 1,900 temperature-controlled cabinets, an increase of 61% compared with 1,200 in 2021. During the pandemic, we carried a lot of pandemic control supplies, transporting masks, rapid screening

reagents, and more than 120 million doses of the vaccines to and from Europe, America, Asia, and Oceania. Also, we assist business operators to use the Envirotainer equipped with e-tech real-time monitoring equipment, effectively enhancing the convenience for operators and the promotion of Envirotainer.

E. Corporate Policies

(1) Corporate human rights policy

To enforce human rights, CAL has established human rights policies and management mechanisms in accordance with the UN Guiding Principles on Business and Human Rights, international trends, and local human rights-related laws & regulations. The scope of application covers the members of the China Airlines Group and their suppliers, and the Talent Value Task Force under the Company's Corporate Sustainability Committee is responsible for human rights management. China Airlines sees its employees as its family and aspires to communicate and reach a mutual understanding with the union through equal and respectful negotiation procedures. The goal is to create a more harmonious and friendly working environment based on a mutually beneficial situation for both labor and management. The Company and the union shall maintain an equal, cooperative, and respectful relationship. It is its core attitude to promote rational communication through open and transparent negotiations so that labor and management can reach consensus and achieve the common good. This allows two-way friendly communication on collective agreement issues to be possible. China Airlines believes that employees are the Company's most important assets. The Company gradually strengthens and optimizes the working conditions and environments of colleagues to ensure they have employment safety and room for growth. The Company will treat each union with empathy and communicate and negotiate with them on their individual needs. It will give priority to fair protection of the labor rights of every employee with the obligation to stay neutral according to the law, showing the unions consistent respect and providing them with equal resources.

(2) Sustainable supply chain management

The Company has a corporate vision of "becoming the top airline in Taiwan". As a company based in Taiwan and flying around the world, it is committed to pursuing the business goal of corporate sustainable development. It is strongly felt that only by cooperating with business partners can corporate sustainable development and sustainable value be created and implemented. Therefore, the Company has been promoting sustainable supply-chain management since the beginning of 2014. Subsequently, it established a Joint Creation Value Team for important procurement categories, including "aviation materials, aviation fuel, in-flight meals, service procurement, and general business affairs". It formulated both long-term sustainability goals based on the United Nations' Sustainable Development Goals (SDGs) and the China Airlines' Sustainable Supply Chain Management Policy Statement and Supplier Code of Conduct with reference to the Global Reporting Initiative (GRI), ISO 26000, United Nations Global Compact (UNGC), International Labour Organization (ILO), and other international standards. We have established risk investigation protocols, carried out sustainability audits of suppliers and organized supplier conferences to improve the effectiveness of engagement, and regularly reported management results to the Corporate Sustainability Committee for follow-up reviews on a quarterly basis.

(3) Environmental sustainability management

The Company believes in environmentally sustainable management and regards the environment as one of the key elements in the implementation of sustainable management. Since 2007, we have incorporated a conceptual foundation for environmental and energy management. In 2011, a dedicated environmental department and Environmental Committee were established. Every quarter, the president reviews the Company's environmental and energy-management performance and sets incentive measures. In 2013, an environmental and energy policy statement was issued. The Company became the first domestic airline to establish a dedicated environmental organization with formulated policies. While pursuing business development, China Airlines recognizes the value and irreversibility of the global environment. We also understand the role of natural ethics that enterprises should play for the Earth, as well as the responsibilities and obligations for resources and environmental and ecological protection. The Company established four environmental and energy-management concepts and six environmental and energy policies according to the codes of practice for "Sustainable Environment Development" in the China Airlines Sustainable Development Best Practice Principles issued by the board. The Company also referred to the UN's SDGs while devising instructional strategies to ensure that the business operation heads toward sustainability, namely, environmental friendliness, low-carbon emission, and energy conservation. In response to international trends, China Airlines became the first and only airline in Taiwan to publicly sign and implement the TCFD initiative in 2018, actively integrating TCFD operations into the Company's management mechanism. In 2019, the TCFD operations are incorporated into the management and board reporting practices. We also assisted in the production of the Chinese version of the TCFD guidelines and participated in several industry-government-academia promotional sessions. Starting in 2020, the TCFD management results have been reported to the functional committees of the board, and our independent Climate-Related Financial Disclosure Report has also been released to the public.

(4) Corporate social responsibility

CAL's success today stands based on social support. Upholding a core philosophy of "giving back to society what we take from society", social contributions made are aimed at creating love while fulfilling its corporate responsibility in Taiwan. As a leader in Taiwan's aviation industry and a corporate citizen of Taiwan, the Company takes "continuous social value creation" as an important commitment to sustainable development. In 2020, the global aviation industry was severely hampered by the COVID-19 pandemic. China Airlines followed the pandemic control measures set out by the central government by reducing

group activities, corporate interaction, educational sharing, and charity events. As the COVID-19 pandemic eased in the second half of 2022, we continued to cooperate with the government on taking relevant pandemic control measures and stayed committed to the sustainability strategy roadmap we have created. We adhere to social sustainability practices and apply our advantages in operation to safeguard the economy of Taiwan and the world. We also respond to international trends by committing ourselves to social welfare to develop positive cycles of social and enterprise development. We have been implementing programs such as “Promoting the international development of local education”, “Enhancing the international visibility of Taiwan’s local brands”, and “Promoting equal opportunities for disadvantaged groups in society”. For years, we have conducted welfare activities for disadvantaged groups in rural areas, organized course sessions on sharing aviation knowledge, and responded to international events with transportation or donation of medical supplies. We take specific actions to fulfill the SDG3, SDG4, and SDG8 goals to promote the local brands of Taiwan and facilitate communication with the world and achieve co-creation, co-prosperity, and the common good with society.

(5) Enterprise risk management architecture and process

China Airlines is aware of the importance of risk management, and puts emphasis on the impacts it may bring. CAL's risk management framework complies with the Enterprise Risk Management (ERM) model where a multi-level organizational approach is adopted to manage and control overall risks to CAL. The model emphasizes possible correlations between different risks to reduce their overall impacts and achieve corporate sustainability. China Airlines' risk management is based on the materiality principle, which identifies traditional risks and mid- to long-term strategic risks. By following four main steps, identification, analysis, assessment, and control, China Airlines analyzes and assesses the impact of risk events on the Company. The Risk Committee and the Corporate Sustainability Committee were established to conduct regular follow-ups and revisions. For risk identification, the aviation industry has its industrial specialty. Considering the operating environment and daily operation, the impacts, severity, and areas of the risk events are different. If a single mechanism is used for monitoring, the results of risk control may be impacted. Therefore, China Airlines categorizes the risks in two levels: mid- to long-term strategic risks and traditional short-term risks, which are monitored under two different systems: operating strategy management and annual sales plan/operational risk management. China Airlines also developed a new risk identification process. New risks are identified through risk metrics. Regular revisions of risk are conducted to formulate countermeasures in order to lower the impacts of new risks on the aviation industry.

F. Favorable and Unfavorable Factors in the Long Term and Countermeasures

(1) Favorable factors

- Business opportunities from lifting of border restrictions for passenger transport

As the COVID-19 pandemic eases around the world and vaccination coverage increases, many countries have gradually loosened their border restrictions and entry quarantine measures to revive tourism. Airlines are also resuming passenger flight services and opening new routes according to market demand, hoping to grab business opportunities in the post-pandemic era. According to the report released by the IATA in December 2022, the overall passenger transport market in 2024 is expected to return to the pre-pandemic level, and for Taiwan, the number of domestic and international travelers will return to the pre-pandemic level by 2024 and 2025, respectively. As the market is still in the phase of recovery, national airline operators will respond to future market changes by actively planning the passenger transport business. We will continue the replacement of the old fleet by introducing new-generation aircraft to improve the overall operational efficiency and implement contactless services to seize more business opportunities.

- Take advantage of geographic location to become a trans-shipment hub

As the trade conflicts between the US and China and the COVID-19 pandemic continue to drive the restructuring of the global supply chain, Taiwan can benefit from being located in an important geographic spot in the Asia-Pacific region as a hub, which is conducive to the development of passenger and cargo transit business. Taoyuan Airport has cooperated with the government to promote the “Asia-Pacific Regional Operations Center - Air Transit Center Plan” to construct Terminal 3 (2015-2026), Runway 3 (2025-2030), and West Satellite Concourse (2028-2035). A new aircraft maintenance area (2028-2029) and a new cargo park (2025-2034) are also being planned to meet the needs of post-pandemic traffic development. We will continue to improve our operational efficiency and global competitiveness and attract passenger and cargo transfer and transit opportunities to move toward the goal of becoming an aviation hub in East Asia.

- Replace the old fleet with new planes to improve operational efficiency

In order to put sustainable development into practice, we have continued to carry out the fleet renewal program. The new-generation fleet has advantages in aircraft design, fuel efficiency, operational performance, and product penetration. It greatly optimizes our cost structure, and gives us a big boost toward the 2050 net zero goal. We have brought in 6 units of 777F freighters since December 2020, and purchased another 4 units of 777F at the beginning of 2022. After the delivery is completed in 2024, we will have 10 units in the fleet to gradually phase out the 747-400F freighters. The passenger aircraft replacement program began toward the end of 2021. We purchased a new-generation Airbus A321neo to replace the Boeing 737-800 passenger planes. We also ordered 16 units of 787-9 passenger aircraft to

replace the A330-300 fleet. We will make good use of our advantage of having a fuel-efficiency, high-performance, and eco-friendly fleet to explore opportunities in the post-pandemic era.

(2) Unfavorable factors

- Global aviation industry recovery challenges (pandemic, labor shortages, geopolitical conflicts, economic recession)

The global aviation industry has been hampered by various factors such as the ever-changing situation of the COVID-19 pandemic, labor shortage, geopolitical conflicts, and economic recession. The IATA pointed out that during the pandemic, airlines around the world suffered a total of US\$186.6 billion in losses (US\$137.7 billion in 2020, US\$42 billion in 2021, and US\$6.9 billion in 2022). IATA estimated that the overall passenger volume in 2022 would increase by 56.7% to reach 3.424 billion person-time (75% of the level before the pandemic), and the revenue from passenger transport would increase by 83.3% to reach US\$438 billion. The cargo volume was estimated to decrease by 8.1% to reach 60.3 million metric tons (109% before the pandemic), and the revenue from cargo transport would have a year-over-year decrease of 0.5% to reach US\$201.4 billion. IATA also estimated that during the pandemic, the airline operators in the Asia-Pacific region suffered as much as US\$69.8 billion in losses (US\$45 billion in 2020, US\$14.8 billion in 2021, and US\$10 billion in 2022). Airlines will need sufficient working capital during the recovery period and consistent profits to overcome the huge burden of debts.

- Slow recovery in the business travel market

The Global Business Travel Association (GBTA) pointed out that the scale of business travel in 2022 is expected to have a year-over-year increase of 33.8%, with a total output value of US\$933 billion (65% of the level before the pandemic). Hampered by factors such as inflation, supply chain bottlenecks, high energy prices, labor shortage, the Russo-Ukrainian war, and economic slowdown, the recovery back to the pre-pandemic level would probably not occur until 2026 (the original estimate was 2024). The global average air fare in 2022 was US\$646, a year-over-year increase of 48.5%. The economy class was US\$464, an increase of 37.3%; the upper cabin class (first class/business class) was US\$3,568, an increase of 45.2%. The average air fare in the Asia-Pacific region in 2022 was US\$369, a year-over-year increase of 61.8%. The economy class was US\$265, an increase of 40.2%; the upper cabin class (first class/business class) was US\$3,664, an increase of 85.0%. Due to changes in employees' willingness and company policy and uncertainties brought about by the pandemic, coupled with the substantial increase in travel costs (air tickets, restaurants, car rentals), companies have chosen to reduce travel expenses and cut travel budgets. Enterprises' adoption of digital tools and the significant increase in the implementation of remote work and teleconferencing have indirectly made the recovery of business travel more difficult. For airline operators that rely on business customers, the trends are bound to have a negative impact on revenue and profits.

- Allocation of limited air transportation resources in the post-pandemic era

Reports from the IATA showed that airlines have faced unprecedented challenges since the outbreak of the COVID-19 pandemic. Around the world, 86 airlines are facing bankruptcy (54 in 2020 and 32 in 2021), another 225 airlines have suspended operations (156 in 2020 and 69 in 2021), and 87 new entrants (29 in 2020 and 58 in 2022) entered the market during the pandemic. In recent years, several Asia-Pacific countries have continued to expand facilities and improve hardware and software services for their airports. Taoyuan Airport has reached saturation in terms of terminal, apron, slot, runway, and other supporting equipment. During the recovery period, there are challenges such as foreign operators resuming their flight operations and main domestic operators, such as Starlux, aggressively entering the market. The biggest challenges lie in issues such as "insufficient short-term parking space for aircraft" and "allocation of Terminal 3". With the limited resources of air transportation, the market competition in the future is bound to become more intense.

(3) Countermeasures

- Optimization of the fleet scale of operations and revitalization of aircraft assets

We have continued to optimize our fleet by retiring Boeing 747-400 and introducing the next-generation passenger aircraft Airbus A321neo in 2021. We are also planning to launch the services of next-generation 787-9 passenger aircraft in 2025. As for cargo freighters, it is expected that 10 units of 777F will be delivered by 2024, and we have completed the lease of 2 units of 747-400 freighters by 2022 that were once deactivated. The next-generation aircraft is energy-efficient and has low fuel consumption. It can contribute to the reduction of carbon emissions and eco-friendly efforts. The improvement in service quality and the reduction in unit costs will be beneficial to the operating performance of routes and overall competitive advantage.

- Consistent interline collaboration to add more destinations

China Airlines is the first national airline in Taiwan to join the global aviation alliance. Currently, we have collaborated with 24 airlines in code-sharing, ranking first among all Taiwanese airlines. In addition to operating our own routes, we have actively expanded global service destinations through interline collaboration, reaching tier-one and tier-two cities in Northeast Asia, Southeast Asia, Europe, the US and Canada, New Zealand and Australia to connect to our main routes, which strengthens the overall aviation

network and generates more revenue from passenger flights. We have continued to work with SkyTeam to implement digital and contactless ground services to optimize our operating procedures. We also have responded to SkyTeam's various environmental protection and carbon emissions reduction actions to improve the impact of the industry value chain on the environment. We have introduced diverse measures to enhance services and raise travelers' awareness of sustainability.

- Consolidate passenger and air transport resources to increase revenue

In the first half of 2022, the operational strategy still focused on cargo, and passenger flights gradually resumed in the second half of the year. It is expected that the recovery of passenger traffic in 2023 will be more significant, and we will dynamically adjust the proportion of passenger and cargo flights. With the gradual arrival of 777F for cargo transportation and the continuous introduction of Airbus A321neo into passenger transportation services, the proportion of the new-generation fuel-efficient and high-performance fleet will increase significantly, which is conducive to the planning of passenger and cargo aviation network, the deployment of new destinations and product competitiveness after the pandemic. We will be able to flexibly coordinate the capacity, schedule and manpower allocation to respond to the unpredictable market demand and overall economic situation after the pandemic, further maintaining our competitive advantage in the passenger and cargo transportation markets.

5.2.2 Procedures followed in the Production of Main Products

A. Major Products and Their Main Uses

Major Products	Main Uses
Passenger services	International passenger air transport and scheduled, non-scheduled, and charter flights.
Cargo services	International cargo, courier, mail, and package transport.
In-flight sales	Provisioning passengers with in-flight duty-free sales services.

B. Major Products and Their Production Processes

The Company is a member of the airline industry and not a manufacturer, therefore, there is no production process in its operations.

5.2.3 Supply Status of Main Materials

CAL is a member of the airline industry and not a manufacturer. Therefore, there is no need to produce raw materials. Aviation fuel makes up the largest proportion of operating costs. In addition to aviation fuel supplied at Taiwan Taoyuan Airport by CPC Corporation and Formosa Petrochemical Corporation, the Company also purchases fuel from large oil companies around the world at the various destinations served, and therefore, fuel supplies are very fragmented.

5.2.4 Major Suppliers and Clients

A. Major Clients in the Last Two Calendar Years

CAL is a member of the airline industry and clients are members of the public.

B. Major Suppliers in the Last Two Calendar Years

CPC Corporation, Chevron Corporation, and Formosa Petrochemical Corporation, etc.

Unit: NT\$ thousands

Item	2021				2022			
	Company Name	Amount	%	Relationship with the Issuer	Company Name	Amount	%	Relationship with the Issuer
1	CPC Corporation	10,276,502	8.90%	None	CPC Corporation	17,635,742	12.66%	None
2	Chevron Corporation	3,684,286	3.19%	None	Formosa Petrochemical Corporation	6,024,719	4.32%	None
3	Formosa Petrochemical Corporation	3,668,246	3.18%	None	Chevron Corporation	4,704,958	3.38%	None
	Other	97,857,912	84.73%		Other	110,986,839	79.64%	
	Net Total	115,486,946	100.00%		Net Total	139,352,258	100.00%	

Reasons for changes:

Fuel is the Company's primary operating expense. Overall, purchases have remained stable.

5.2.5 Production in the Last Two Years

Unit: thousand kilometers

Year	2021	2022	Rate of Increase (or Decrease)
Capacity and Traffic			
Available Seat Kilometers (ASK)	4,209,667	15,962,337	279.18%
Revenue Passenger Kilometers (RPK)	896,496	7,295,911	713.83%
Load Factor (%)	21.30%	45.71%	24.41 ppt
Freight Available Ton Kilometers (FATK)	10,004,250	8,269,197	-17.34%
Freight Revenue Ton Kilometers (FRTK)	7,551,792	6,363,804	-15.73%
Load Factor (%)	75.49%	76.96%	1.47 ppt
Available Ton Kilometers (ATK)	10,383,076	9,704,337	-6.54%
Revenue Ton Kilometers (RTK)	7,632,460	7,019,541	-8.03%
Load Factor (%)	73.51%	72.33%	-1.18 ppt

Note 1: The above data includes scheduled flights, charter flights, and extra flights.

Note 2: The above data includes Mandarin Airlines and Tigerair Taiwan.

Reasons for Changes:

In 2022, many countries started to lift border restrictions and airlines gradually resumed their flights. Available Seat Kilometers (ASK) and Revenue Passenger Kilometers (RPK) both increased significantly compared with 2021. Affected by the global economy downturn and the slowdown in the market demand for air cargo transportation, Freight Available Ton Kilometers (FATK) and Freight Revenue Ton Kilometers (FRTK) both decreased in 2021.

5.2.6 Shipments and Sales in the Last Two Years

Unit: thousand kilometers; NT\$ thousands

Item	2021		2022	
	RPK/FRTK	Amount	RPK/FRTK	Amount
Passenger Revenue	896,496	6,063,776	7,295,911	25,481,670
Cargo Revenue	7,551,792	124,541,265	6,363,804	116,249,972
Other Operating Revenue	-	8,236,362	-	8,990,829
Total	-	138,841,403	-	150,722,471

Note 1: The above data includes scheduled flights, charter flights, and extra flights.

Note 2: The above data includes Mandarin Airlines and Tigerair Taiwan.

Reasons for Changes:

Due to that many countries have begun to lift their border restrictions in 2022, and the revenue of passenger transport significantly increased by 320.23% compared with 2021. As for freight transport, market uncertainties in 2022 resulted in a 6.66% decrease in cargo transport revenue compared with 2021.

5.3 Human Resources

Year		2021	2022	APR. 2, 2023
Number of Employees	Male	5,828	5,575	5,523
	Female	5,423	5,268	5,301
	Total	11,251	10,843	10,824
Average Age		42.97	43.92	44.25
Average Years of Service		15.59	16.56	16.76
Education level	PhD	0.11%	0.11%	0.13%
	Master's Degree	12.15%	12.46%	12.78%
	Bachelor's Degree	82.74%	82.60%	82.03%
	Senior High School	4.78%	4.66%	4.91%
Below Senior High School		0.22%	0.17%	0.16%

5.4 Environmental Protection Expenditure

5.4.1 Total Losses and Penalties: None.

5.4.2 Company Countermeasures to Future Environmental Protection Issues

A. ISO 14001 Environmental Management System and ISO 50001 Energy Management System

To integrate environmental protection operations into the daily operational risk management operations of the enterprise, China Airlines has introduced several international standard management systems (ISO 14064-1, ISO 14001, and ISO 50001) since 2009. It has also established and improved operational mechanisms of the enterprise's environmental management, covering risk issues, such as greenhouse gases, environmental management, and energy management. In

addition, the Company has formulated management strategies and action measures for relevant risks and opportunities identified in various aspects of the environment.

(1) Management system operations

In 2017, CAL completed the revision of the ISO 14001: 2015 standard, incorporating “life cycle thinking”, “stakeholder engagement”, “risk and opportunity management”, and other aspects into the operations of the Corporate Environmental Management System (EMS). Following that, in 2019, CAL then completed the ISO 50001:2018 revised version, strengthening the identification and operation control of energy use, comprehensively reviewing and optimizing energy performance indicators. These changes enabled CAL to fit into the international enterprise benchmark mode of thinking on sustainable development and governance.

(2) Value chain and outstation environmental management

In order to fully understand global operational risks, the Company has initiated outstation risk/opportunity investigations and evaluation operations since 2018. These operations strengthened the appreciation of international environmental-protection control trends, and ensured the identification and handling of environmental and energy-related risks and opportunities in operation. In 2019, CAL further focused on the current operational status of various issues of concern and used best-case sharing to assist each station in seeking room for continuous improvement and implementing any related operations.

In addition to continually building its own capacity in environmental sustainability management, the Company also actively increases the sustainability value of the overall industrial chain. In 2018, it started a value chain of environmental management operations and asked group partners to set up environmental protection seeds. It held an environmental/energy/carbon management workshop to promote group partners’ understanding of the meaning and benefits of environmental/energy/carbon management. In 2019, it further improved the group’s corporate environmental and energy risk management capacity through environmental risk/opportunity investigations and communication meetings. In 2020, China Airlines further asked its value chain partners to promulgate appropriate policies on the environment and energy. Management measures and monitoring tasks have been undertaken on key environmental impacts. Additional operational information was added (e.g., power/oil consumption) to reinforce the control and survey of emissions. The Environmental Risk Analysis Result Briefing was held as an event where the representatives of partner companies and managers were invited and informed on the results of the analyses and surveys. It was an event where they could also exchange good practices. Since 2021, the Company requires partners in the value chain to set corporate environmental policies and energy resource management goals, continue to deepen environmental management and internal and external communication practices, and encourage the establishment of an environmental sustainability page to reveal the companies’ environmental policies, annual operational goals and performance. In 2022, we combined environmental risk management with the enterprise value chain to implement a GHG survey and climate and energy risk assessment of our key suppliers.

(3) Green maintenance operations and pollution prevention

To reduce the environmental impact of the pollution from maintenance operations, the Company implements and continuously improves the aforementioned risk management operations. The EMO (park maintenance) Environmental Management Committee, under the Company’s Corporate Environmental Committee, tracks and inspects on a quarterly basis the results of the environmental management of the maintenance plant area. These actions are taken in order to comply with environmental regulations, international trends, headquarters policies, and corporate environmental sustainability obligations. For example, heating boilers and spray-painting operations are done at maintenance facilities, and therefore, air pollutants emission tests are carried out annually in accordance with relevant regulations, while air pollution prevention fees are reported quarterly. Meanwhile, on a yearly basis, its operating unit deals with the necessary documentation and permits and arranges fee payments that are in accordance with the regulations, water pollution prevention measures plans, and waste disposal plans. The unit actively adheres to the principles of source reduction, toxin reduction, and end-of-pipe recycling, continuously improving and enhancing environmental performance and ecological benefits.

Every year, the Company performs a third-party audit of ISO 14001 and ISO 50001. The audit for 2022 was completed on December 8, 2022. The Company is the second airline in the world and the first Taiwanese airline to obtain a certification for both ISO14001 and ISO50001 at the same time. The scope of certification is also the most complete in the domestic service industry.

B. Set short-term, mid-term and long-term targets for SDGs

Short-term Target (2023)	Mid-term Target (2025)	Long-term Target (2030)
1. Achieve an average annual improvement of 1.5% in aviation fuel efficiency and CORSIA Carbon-Neutral Growth (CNG) by 2020 (net zero carbon emissions by 2050)	1. Achieve an average annual improvement of 1.5% in aviation fuel efficiency and CORSIA CNG by 2020 (net zero carbon emissions by 2050)	1. Achieve an average annual improvement of 1.5% in aviation fuel efficiency and CORSIA CNG by 2020 (net zero carbon emissions by 2050)
2. 41% reduction in carbon emissions over 2009 from ground operations	2. 44% reduction in carbon emissions over 2009 from ground operations	2. 50% reduction in carbon emissions over 2009 from ground operations (net zero carbon emissions by 2050)
3. Strengthen decision-making mechanism integrated with climate-related financial information	3. Implement and optimize internal carbon pricing	3. Formulate a sustainable aviation fuel strategy in Taiwan
4. 5% reduction in non-recyclable waste over 2018 from ground operations	4. 7% reduction in non-recyclable waste over 2018 from ground operations	4. 12% reduction in non-recyclable waste over 2018 from ground operations
5. 43% recycle rate in operational waste	5. 45% recycle rate in operational waste	5. 50% recycle rate in operational waste
6. 14% reduction in paper consumption over 2018	6. 30% reduction in paper consumption over 2018	6. 50% reduction in paper consumption over 2018
7. 5% reduction in water consumption over 2009 from ground operations	7. 7% reduction in water consumption over 2009 from ground operations	7. 10% reduction in water consumption over 2009 from ground operations
8. Prohibit the transportation of protected animals and ban ingredients from protected animals	8. Prohibit the transportation of protected animals and ban ingredients from protected animals	8. Prohibit the transportation of protected animals and ban ingredients from protected animals
9. 25% reduction in air service waste over 2018	9. 50% reduction in air service waste over 2018	9. 65% reduction in air service waste over 2018
10. 50% reduction in disposable plastic supplies	10. 90% reduction in disposable plastic supplies	10. Stop using any disposable plastic supplies
11. 5% reduction in meal loss of flight crew over 2020	11. 10% reduction in meal loss of flight crew over 2020	11. 25% reduction in meal loss of flight crew over 2020

C. Environmental KPI Controls

The Company has followed the United Nations' SDGs and has several short-, medium-, and long-term environmental protection and energy conservation objectives, including those for aviation fuel efficiency, ground carbon emissions, water consumption, domestic waste, business waste, and photocopy paper consumption. The five major environmental management committees and the aviation fuel management task force develop and implement annual environmental protection KPI. The Corporate Environmental Committee chaired by the President conducts the annual audit and review. The Company completed a total of 78 environmental action plans in 2022 and reduced carbon emissions by 53,750 tons of CO₂e. 79 measures are further planned promoted in 2023, and it is expected emissions will be reduced by 36,100 tons of CO₂e. Please refer to the Corporate Social Responsibility Report for more information (<https://calec.china-airlines.com/csr/report.html>).

D. Strengthening adaptability to climate risks and opportunities

In order to deepen our understanding of climate-related risks and opportunities, in 2018, the Company signed an initiative to support the international Task Force on Climate-Related Financial Disclosures, TCFD, and launched project operation through interviews, questionnaires, workshops, high-level forums, and other engagement processes. Current or future climate risks and opportunities faced by business operations in different climate scenarios are explored as well as their potential impacts and corresponding costs. These measures gradually establish the Company's climate risk and opportunity management mechanism. In 2020, the Climate-Related Financial Disclosure Report, the first-ever in the aviation industry, was made and reported to the Board of Directors. The second edition was published in 2022. For other relevant activities, please refer to China Airline's CSR website/focus on climate change (<https://ppt.cc/fTsUJx>).

E. Solidifying environmental management supervision mechanism

The Company promotes mechanisms for the supervision of environmental management. Each unit independently implements the first-level audit of environmental management, whereas the second-level audit of environmental management is implemented by the headquarters. The double-audit mechanism ensures that environmental management is implemented at basic level operations at all units.

The Company has completed the second-level audit in the second and fourth quarter of 2020. In addition to the audit items, the audit components also include improving the previous audit findings, incorporating the extent of redressal of external stakeholders' concerns, and a review of annual KPI implementations.

F. Environmental education and training for all employees

The Company has a corporate environmental and energy philosophy of "implementing environmental and energy conservation education to foster employees' environmental awareness" as well as a goal to achieve "environmental protection by all employees". As a result, the Company has implemented an annual "environmental protection education campaign" for online or classroom environmental management education and training in Taiwan. The outcomes of this campaign are as follows:

- (1) New employee and outstation supervisor environmental education and training implementation rate is 100%.
- (2) A total of 10,799 participants had completed the environmental management training in 2022.
- (3) The implementation rate of professional knowledge training on environmental/energy/carbon management systems is 100%.
- (4) A total of 123 employees participated in the environmental protection forums on the theme of Formosan black bear.
- (5) A total of 2,311 participants attended interactive activities made for employees.
- (6) A total of 24 promotional articles were published on the internal communication platform. "Green footprint" stickers were attached and posters were put up in the headquarters and maintenance park to convey information on 21 environmental protection measures. In addition, labels were tied to plants for plant identification.

G. Carbon Inventory and Reduction Project

(1) Annual organizational greenhouse gas emission inventory

According to the ISO/CNS 14064-1 standard, the Company has conducted a greenhouse gas inventory each year since 2009, covering aviation, ground services, and office administration operations, of which a third-party verification operation must take place in order to be in accordance with the requirements of "Reasonable Assurance".

The greenhouse gas emissions from Scope 1-2 were 5,455,559 tons CO₂e and from Scope 3-6 were 1,240,935 tons CO₂e in 2022.

(2) International carbon control compliance operations (ICAO CORSIA, EU ETS, UK ETS, etc.)

We have adopted the ICAO CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation), EU ETS (European Emission Trading Scheme), and UK ETS and other specifications, and implemented carbon emissions monitoring, reporting, and verification (MRV for short) of international routes and EU regions in accordance with relevant requirements. The overall operation has been verified by external third-parties, and the emission and carbon rights management information is submitted to the competent authority every year.

H. Improving business eco-efficiency

The Company has continued to strengthen its fuel efficiency improvement strategy, and has formulated four major fuel saving strategies including "fleet renewal", "airframe weight reduction", "flight service optimization" and "maintenance improvement." From 2021, the Company has accelerated the introduction of A321neo energy-efficient aircraft, which will effectively improve the efficiency of flight fuel consumption and add Sustainable Aviation Fuel (SAF) to the aircraft's flight, reducing carbon emissions from flights. In 2022, we took another step further in planning the introduction of the next-generation energy-saving 787 aircraft.

For ground operations, the Company actively promotes various energy saving and carbon reduction programs. After the headquarters of CAL Park obtained the "Diamond Green Buildings Label" certification in 2017, the Company continued to promote equipment renewal, optimize operational processes, and improve the overall energy efficiency of its buildings. In 2019, in response to the government's green-energy policy, 99 kWh of solar photovoltaic facilities with grid-connected power generators were installed on the rooftop of the simulator training building. We obtained 110 certificates in 2022. As of December 31, 2022, these facilities had generated 110,000 kWh of electricity and reduced CO₂e emissions by approximately 55 tons, which led CAL to receive the National Renewable Energy Certificate(T-REC). These acts earned CAL three awards, (1) the Energy Conservation Benchmark -- Silver Award of the Ministry of Economic Affairs, Bureau of Energy, (2) Energy Conservation Leadership Award of Taipei City, and (3) No. 1 in Carbon Reduction and Electricity Conservation Reward Competition of Taoyuan Airport. China Airlines actively implements green energy industry actions and announced in 2022 that it is expected to improve the installed capacity to 10% of the contracted capacity by 2030.

Moreover, to reduce the risk of water shortages, the Company has successively set up water meters at important water route nodes to track and analyze the flow direction of water resources and water-consumption hot spots. Water-reduction and recycling measures were promoted, which include purchasing water-conservation label products, water-conservation advocacy, setting up a rainwater-recovery system, promoting cooling-water recycling, and introducing Eco-Shine and Callington environment-friendly cleaning solutions. The quantum of tap water used dropped from 112.77 kilotons in 2021 to 99.2 kilotons in 2022, a decrease of about 12%. Data relevant to this has been disclosed in the Company's 2022 CSR report and authenticated by third parties.

In terms of waste management, the Company manages waste based on five main principles: Prevent, Reduce, Reuse, Recycle, and Recover. Moreover, with the goal of 100% waste-resource recovery, the Company is increasing its waste reuse rate year by year. In addition, considering that waste management in aviation services involves a wide range of businesses, the Company has constituted a waste management team in 2019. Service and supply, planning and quality assurance units as well as aviation catering, cabin cleaning, and other suppliers and partners are invited to form a periodical communication platform. We have developed several innovative products through collaboration projects to reduce the use of single-use plastics, extend product life cycles, reduce waste, and create business opportunities for a circular economy. For cargo transportation, we also use the plastic film recycling platform promoted by the Environmental Protection Administration to prioritize the purchase and use of tarpaulin made of 40% to 60% of mixed recycled materials, further improving the re-use percentage of packaging plastics.

I. Promote Green Consumption

The Company actively shares its environmental philosophy and its implementations through different platforms, such as social networks and inflight magazines, to establish and promote the awareness of green consumption. In 2017, in a further effort to follow international trends, the Company started promoting a voluntary carbon-offsetting program for passengers, the "ECO TRAVEL - Carbon Offsetting" service. Diversified electronic-friendly service platforms, including the official website, ticket-purchasing system, and travel reminders, are used to invite passengers to practice "zero-carbon" flying. In 2021, a total of 202 people took part in the carbon-offsetting program, in which a total of 424.58 metric tons of carbon was offset. Such performance exceeded all other Taiwanese companies in the same industry during the same period. Other actions to elevate and promote green consumption include:

- (1) Selecting 12 environmental films to play on airplanes.
- (2) Prioritize local sourcing for in-flight catering, and prohibit the use of protected species in food.
- (3) Interactive educational work, such as promoting to close windows in summer.
- (4) Continuously update and disclose carbon footprint information of flight routes.
- (5) Set up a "Green Life Zone" on the Email home delivery home page.
- (6) Use FSC-certified paper printed with soybean ink for the production of desk calendars.
- (7) Published 7 environmental protection special issues and, reports on social media, which reached 147,553 readers.

J. Continue to Support International Environmental Protection Research Projects

Since 2012, we have participated in the Pacific Greenhouse Gases Measurement (PGGM) project co-organized by the Environmental Protection Administration, National Central University, and the EU IAGOS-ERI. As of the end of December 2022, we have collected high-altitude gas data from 16,456 flights, and the relevant results have been contributed to the World Meteorological Organization of the UN for research, which can be used as a reference for decision-making by the United Nations Framework Convention on Climate Change (UNFCCC). In order to improve the observation of GHG and collect more data on the types and changes of high-altitude gases for global atmospheric and GHG research, we have begun to cooperate with National Central University, EU IAGOS-ERI, and Japan Aerospace Exploration Agency (JAXA) in 2022 to start using the newly developed P2b and P2d optical and laser instruments developed by the EU IAGOS-ERI in the first half of 2023. They can help JAXA, EU IAGOS-ERI and other international organizations compare and verify their telemetry/estimated data of GHG observation satellites, and promote substantive benefits of scientific research between Taiwan, Japan, and the EU. The observation data can also help us diagnose and calculate possible sources of air turbulence on the flight routes, plan appropriate routes, and improve flight safety.

K. Transparent Disclosure of Environmental Protection Response and Performance

Since 2012, the Company has been publishing its Corporate Social Responsibility (CSR) Report every year (former titles include Environmental Sustainability Report and Corporate Sustainability Report). The Company has also been establishing and updating the CSR network. It publicly and transparently discloses its sustainability governance strategies as well as the results and performances in environmental, social, and financial aspects of its operations. The reports are an important tool and channel that facilitate discussion with stakeholders. The official Facebook page will be used to publicize the results of the overall operation and serve as an important tool and channel to negotiate with stakeholders. In 2022, the promotion themes include releasing TCFD reports, participating in Earth Hour and World Earth Day activities, the Sustainable Flight Challenge Program, China Airlines Tree Planting, and Must-Known Facts About Sustainable Aviation Fuel (SAF), reaching a total of about 150,000 people.

5.4.3 Countermeasures

Unit: NT\$ thousands

Item	Scope	111	112	113	114
Environmental protection equipment, management system maintenance and research projects	Pollution prevention equipment depreciation and renewal, operation and maintenance, environmental testing, the establishment of the environment-related management system, maintenance and strategy research projects	27,081	20,000	20,000	20,000
Procurement of eco-friendly products	Organization prioritizes procurement of Category I, II and III eco-friendly products as specified in the Regulations for Priority Procurement of Eco-Products (January 15, 2001)	9,221	9,000	9,000	9,000
Waste management	Waste removal costs	4,261	4,000	4,000	4,000
Aviation noise control	Noise control fees (paid to the terminal based on airplane model and number of flights)	129,674	132,786	132,786	132,786
Air pollution control and prevention	Air pollution control fee	615	1,200	1,200	1,200
Special investment and environmental protection initiative operation project	Participate in special projects for domestic and foreign environmental protection initiatives	4,353	4,000	4,000	4,000

Note: This table does not include environmental protection personnel costs

5.4.4 Effect of Environmental Expenditure on Earnings

Energy-saving equipment and improved management expenditure reduce Company energy use and its operating costs, also the risk of loss and non-compliance, enhance operational efficiency, brand value, customer recognition and sustainable competitiveness.

5.4.5 Effect of Environmental Expenditure on Competitiveness

Environmental performance has already become an important benchmark in achieving corporate social responsibility. With the rise in green consumers, actively investing in environmental improvements can positively improve the Company's competitive position and improve brand image.

5.5 Labor Relations

5.5.1 Employee Benefits, Training, Retirement Programs, Status of Implementation, Labor-management Agreements, and Protection of Employee Rights and Interests

A. Good Labor-Management Relations

On May 4, 1988, the China Airlines Union was established. In accordance with revisions to the Labor Union Act, on July 29, 2011, it was renamed as "China Airlines Employee Union". In 2002, a collective agreement was signed between labor and management, which is regularly negotiated and renewed.

B. Retirement Program and Pension Preparations

(1) Labor standards act for old-age pension system

The Labor Pension Reserve Supervisory Committee of the Company was established in June 1987 in compliance with letter Bei-Shi-She-II-Zi No. 43791 from the Taipei City Government. In the past years, the appropriation and payment of pensions in the old system of Labor Standards Act were handled according to the Labor Standards Act. In 2022, employees who could claim from the old system pension account constituted approximately 48.2% of employees (33.9% of Company employees were subject to both new and old systems). The monthly appropriation rate of the old system of pensions has been increasing year by year since 2014 and has risen to 15% since January 2016, reaching the statutory limit. For employees who meet the retirement qualifications of the Labor Standards Act and whose retirement has taken effect, the concerned unit will take the initiative to get the pension and apply to the local government for expenditure approval and reference, or submit to the Taiwan Bank for payment application according to relevant regulations of the government. It will notify the employees to receive the payment once the check is prepared. The deposit of pension reserve funds is supervised by the Labor Pension Reserve Supervisory Committee of the Company. The business unit regularly holds a pension supervision committee meeting once every three months to report on the use of the pension reserve funds to the members, including the estimated result of the next year's appropriation, number of retirements each quarter, designated pension reserve funds account balance, and exchanging retirement-related issues.

(2) Labor pension act new pension system

According to the Labor Pension Statutes promulgated by the government on June 30, 2004, in the order Zong-Tong-Hua-Zong-(I)-Yi-Zi No. 09300121821, for employees who are subject to statutes, new system pensions shall be appropriated monthly to the Bureau of Labor Insurance according to statutes starting from July 2005. In 2022, employees who could claim from the new system pension account constituted approximately 68.1% of employees (24% of Company employees could avail benefits from both new and old systems). The new system pension appropriation rate is 6% per month, and is deposited into the employee's designated personal

pension account at the Bureau of Labor Insurance. After the retirement conditions are met, the employee has to apply to the Bureau of Labor Insurance for payment.

C. Labor-Management Communications

- (1) Units in the Company with a relatively large number of employees, such as the maintenance facility, Ground Services Division, Cabin Crew Division, Flight Operations Division, and Taipei and Kaohsiung branches hold regular communication meetings.

In addition, elected union representatives attend regular company-wide labor-management conferences to improve understanding and communication.

- (2) The establishment of an employee complaint mechanism and channels to ensure proper response:

When employee rights have been violated or a situation is improperly handled, as mentioned in the Regulations Governing Employee Complaints, a complaint can be lodged with the responsible operating unit or the Human Resources Division. If the employee is not satisfied with the response, he or she can appeal to the Human Resources Division. Ten written complaints from employees were handled in 2022.

D. Benefits

- (1) Employee care

Employee care includes pension appropriation, labor and health insurance, employer liability insurance, group insurance, employee physical examination, and providing nursing rooms.

- (2) Employee stock ownership trust

In August 1998, the Company created an employee stock ownership trust, in which employees are free to participate. The amount, depending on the employee position, is deducted directly from their monthly salary. By the end of 2022, a total of 1,982 employees participated in this trust.

- (3) Profit sharing

According to the Company's charter, if the Company records a profit in a given year, it must set aside no less than three percent as employee bonuses. However, if the Company still has accumulated losses, it shall first retain a sum of money to make up for the shortage.

- (4) Welfare system

The Company's Employee Welfare Committee was set up in December 1967. As stipulated by law, the Committee distributes multiple benefits. It handles the disbursement of: wedding allowances, funeral allowances, disaster allowances, employee children excellence scholarships, birthday bonuses, and birth allowances. It arranges visits to nursing homes, holds recreational sports activities, distributes meals and holiday gift certificates, and offers distress or purchase loans.

- (5) Employee leisure

Leisure includes employee group activity subsidies, employee group travel subsidies, discounted tickets for current and former employees.

- (6) Working environment

The workplace is in compliance with occupational safety standards and gender equality.

E. Signing of Collective Agreement

In order to stabilize labor relations and protect the rights and interests of employees, the Company signed a group agreement with the China Airlines Employees Union on December 16, 2021 (the sixth renewal of the agreement between the two parties) and published it on the Company's corporate information website. Another group agreement with the Taoyuan Pilots Union on December 29 of the same year, both of which are valid for three years.

F. Counseling

To take care of our colleagues' needs and participate in employees' personal growth, the Company has employed professional counselors and psychiatrists to provide counseling services to employees. In 2022, there were a total of 27 employees accounting for a total of 107 counseling visits.

G. In addition to the promotion of employee education and training to enhance staff knowledge and skills, knowledge continues to be accumulated and exchanges encouraged within the Company to build an organization for learning. Through the management personnel training program and the "China Airlines Lecture Hall" training system, the Company holds courses to improve employees' strategic, management, professional, and general workplace skills

- (1) To encourage employees' participation in various courses and self-study opportunities provided by the ROC Workforce Development Agency under the Ministry of Labor, the self-pay portions of the costs for such courses will be subsidized by the Company if work-related courses are completed by an employee.
- (2) The Company participated in the "Enterprise Human Resource Enhancement Program" of the Workforce Development Agency, Ministry of Labor and received a training subsidy of NT\$950,000 in 2022.
- (3) Popularize courses on strategy, management, professional and general skills.
 - Marketing training:
This includes marketing strategies, customer operations, freight business and related OJT training. A total of 190 in-person classes and 114 e-classes were held with a total of 26,074 employees trained.
 - Professional technique courses:
This includes enterprise safety/inspection work, flight services, joint management and EMO. A total of 3,222 in-person classes and 588 e-classes were held with a total of 93,284 employees trained.
 - Service:
This includes service quality assurance, introduction to public relations, service industry, ground- service operations, and inflight products. A total of 551 in-person classes and 412 e-classes were held with a total of 21,523 employees trained.
 - Other:
This includes operations in investment management units, law and insurance, finance, information technology, and human-resources management. A total of 97 in-person classes and 70 e-classes were held with a total of 82,572 employees trained.

5.5.2 CAL has an employee code of conduct or ethical codes and arranges pre-employment Employee Rights and Responsibilities classes for new recruits. The main content of the Company's Employee Code of Conduct is as follows:

The Company's Employee Code of Conduct mainly consists of: workplace ethics, privacy, occupational safety, discrimination and harassment, moral integrity, media and public image, conflict of interest avoidance, anti-trust and fair competition, exchanging gifts and anti-corruption, CAL asset and intellectual property protections, reporting responsibilities, respect for human rights, and commitment to environmental protection. The Company includes an assessment and consideration of these items of workplace behavior in its annual evaluation. Employees unable to respect or who violate these regulations governing workplace behavior are penalized as per the Company's regulations governing rewards and penalties and on the severity of the offense.

5.5.3 Implementation of Work Environment and Employee Personal Safety Protection Measures

A. In response to the ever-changing and escalating COVID-19 pandemic, China Airlines has prioritized the protection of employees' health, integrated and established a cross-unit command system and operating procedures for the joint response, and encouraged vaccination to all employees. We hold weekly pandemic control meetings, and heads of relevant first-tier units, occupational safety and medical units are invited to discuss and cooperate with the Central Epidemic Command Center of the Executive Yuan to carry out pandemic control measures and adjust the responses on a rolling basis. We have built a crew health management reporting system, a vaccine registration system for all crew members to implement vaccination status control, and a pandemic management system to track the health status of confirmed cases and close contacts, and provided statistical analysis data for immediate reference and response by the management. Starting October 13, 2022, we have cooperated with the Central Epidemic Command Center to gradually loosen various pandemic control measures, and continued to promote self-management to maintain the health of each individual employee, family members and co-workers.

B. China Airlines' 2022 disabling injury frequency rate (FR) for all occupational accidents was 1.19, and the frequency severity index (FSI) was 0.16, which was lower than the average FR (2.89) and FSI (0.39) of the domestic air transport industry between 2020-2022. Analysis showed that they were mostly caused by unsafe behaviors, and we will continue to implement occupational accident prevention measures and related education and training.

C. Our head office in Taoyuan obtained the ISO45001:2018, CNS45001:2018, and TOSHMS certifications after the re-inspection in 2022. The scope of the verification covers the operation management of air transportation, cargo, and passenger transportation services, and the risk classification is carried out based on each operation type and job category. The purpose is to improve operational safety and implement risk control measures of safety and health planning, implementation, inspection, and improvement, and provide employees with a safe, healthy, and reassuring workplace suitable for the new routines after the pandemic.

5.5.4 The estimated value of any losses or potential future losses due to labor disputes (from the most recent year up to the date of publication)

For 2022 and as of April 2, 2023, the Company has not been in any situation being punished by the competent authority for failure to comply with the labor inspection. We will continue to maintain positive interactions between employees and employers through diverse communication channels to achieve the goal of employee care and a better work environment, thereby eliminating disputes that may arise from unnecessary labor disputes.

5.6 Major Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Lease	SASOFIV © Aviation Ireland DAC	2007/02-2023/02	Aircraft Type: A330-300/ No.: B-18352	-
Lease	Dara Aviation Bravo Limited	2008/05-2024/05	Aircraft Type: A330-300/ No.: B-18353	-
Lease	Bluesky Magical 1001 Leasing Co	2010/11-2023/02	Aircraft Type: A330-300/ No.: B-18355	-
Lease	MSN 1272&1278 Aircraft Leasing (Cayman) Limited	2011/12-2023/12	Aircraft Type: A330-300/ No.: B-18356	-
Lease	MSN 1272&1278 Aircraft Leasing (Cayman) Limited	2012/01-2024/01	Aircraft Type: A330-300/ No.: B-18357	-
Lease	AS Air Lease 83 (Ireland) Limited	2012/10-2024/10	Aircraft Type: A330-300/ No.: B-18358	-
Lease	AS Air Lease 83 (Ireland) Limited	2012/12-2024/12	Aircraft Type: A330-300/ No.: B-18359	-
Lease	Dianbao Aviation Leasing Limited	2013/12-2025/12	Aircraft Type: A330-300/ No.: B-18360	-
Lease	Jade Aviation (Ireland) AOE 5 Limited	2014/06-2026/06	Aircraft Type: A330-300/ No.: B-18361	-
Lease	Flip No. 196 Co., Ltd./Flip No. 197 Co., Ltd.	2014/10-2026/09	Aircraft Type: 777-300ER/ No.: B-18051	-
Lease	Oriental Leasing 4 Company Limited	2014/10-2026/10	Aircraft Type: 777-300ER/ No.: B-18052	-
Lease	Zeus Aircraft Owner 1 Ltd.	2014/11-2026/11	Aircraft Type: 777-300ER/ No.: B-18053	-
Lease	Wilmington Trust SP Services (Dublin) Limited (as trustee)	2015/01-2027/01	Aircraft Type: 777-300ER/ No.: B-18055	-
Lease	Sky High XXXVII Leasing Company Limited	2015/05-2027/05	Aircraft Type: 777-300ER/ No.: B-18001	-
Lease	Sky High XXXVII Leasing Company Limited	2015/06-2027/06	Aircraft Type: 777-300ER/ No.: B-18002	-
Lease	Sky High XXXVII Leasing Company Limited	2015/08-2027/08	Aircraft Type: 777-300ER/ No.: B-18003	-
Lease	Sky High XXXVII Leasing Company Limited	2015/10-2027/10	Aircraft Type: 777-300ER/ No.: B-18005	-
Lease	Zeus Aircraft Owner 2 Ltd.	2016/01-2028/01	Aircraft Type: 777-300ER/ No.: B-18006	-
Lease	Zeus Aircraft Owner 3 Ltd.	2016/05-2028/05	Aircraft Type: 777-300ER/ No.: B-18007	-
Lease	Wilmington Trust SP Services (Dublin) Limited	2013/04-2025/04	Aircraft Type: 737-800/ No.: B-18651	-
Lease	Wilmington Trust SP Services (Dublin) Limited	2013/05-2025/05	Aircraft Type: 737-800/ No.: B-18652	-
Lease	Wilmington Trust SP Services (Dublin) Limited	2013/06-2025/06	Aircraft Type: 737-800/ No.: B-18653	-
Lease	Wilmington Trust SP Services (Dublin) Limited, acting not in its individual capacity but solely in its capacity as Trustee for Aircraft MSN 41355 Trust	2015/09-2023/09	Aircraft Type: 737-800/ No.: B-18658	-
Lease	ALC Blarney Aircraft Limited	2015/10-2023/10	Aircraft Type: 737-800/ No.: B-18659	-
Lease	UMB Bank, N.A.	2016/03-2024/03	Aircraft Type: 737-800/ No.: B-18660	-
	Chilli Leasing LLC	2016/09-2024/09	Aircraft Type: 737-800/ No.: B-18661	-
Lease	Pacific Triangle Leasing Limited	2016/09-2024/09	Aircraft Type: 737-800/ No.: B-18662	-
	BOC Aviation Limited	2016/10-2024/10	Aircraft Type: 737-800/ No.: B-18663	-
Lease	BOC Aviation Limited	2016/11-2024/11	Aircraft Type: 737-800/ No.: B-18665	-
Lease	BOC Aviation Limited	2017/01-2025/01	Aircraft Type: 737-800/ No.: B-18666	-
Lease	BOC Aviation Limited	2017/02-2025/02	Aircraft Type: 737-800/ No.: B-18667	-
Lease	Altitude Aircraft CAL I Limited	2019/09-2024/09	Aircraft Type: A330-300/ No.: B-18301	-
Lease	Altitude Aircraft CAL I Limited	2019/09-2024/09	Aircraft Type: A330-300/ No.: B-18302	-
Lease	Altitude Aircraft CAL I Limited	2019/09-2024/09	Aircraft Type: A330-300/ No.: B-18303	-
Lease	Altitude Aircraft CAL I Limited	2019/09-2025/09	Aircraft Type: A330-300/ No.: B-18305	-
Lease	Altitude Aircraft CAL I Limited	2019/09-2025/09	Aircraft Type: A330-300/ No.: B-18306	-
Lease	ZF Oriental 15 Limited	2021/06-2025/04	Aircraft Type: A330-300/ No.: B-18307	-
Lease	ZF Oriental 14 Limited	2021/06-2025/07	Aircraft Type: A330-300/ No.: B-18309	-
Lease	ZF Oriental 16 Limited	2021/06-2025/09	Aircraft Type: A330-300/ No.: B-18310	-
Lease	ZF Oriental 17 Limited	2021/09-2025/05	Aircraft Type: A330-300/ No.: B-18308	-
Lease	ZF Oriental 18 Limited	2021/09-2025/12	Aircraft Type: A330-300/ No.: B-18311	-

Agreement	Counterparty	Period	Major Contents	Restrictions
Lease	ALC Blarney Aircraft Limited	2021/11-2033/11	Aircraft Type: A321neo/ No.: B-18101	-
Lease	ALC Blarney Aircraft Limited	2021/12-2033/12	Aircraft Type: A321neo/ No.: B-18102	-
Lease	ALC Blarney Aircraft Limited	2022/02-2034/02	Aircraft Type: A321neo/ No.: B-18103	-
Lease	ALC Blarney Aircraft Limited	2022/05-2034/05	Aircraft Type: A321neo/ No.: B-18105	-
Lease	ALC Blarney Aircraft Limited	2022/04-2034/04	Aircraft Type: A321neo/ No.: B-18106	-
Lease	ALC Blarney Aircraft Limited	2022/04-2034/04	Aircraft Type: A321neo/ No.: B-18107	-
Lease	Pembroke Aircraft Leasing (UK) Limited	2022/06-2034/06	Aircraft Type: A321neo/ No.: B-18108	-
Lease	Pembroke Aircraft Leasing (UK) Limited	2022/06-2034/06	Aircraft Type: A321neo/ No.: B-18109	-
Lease	ZF Oriental 25 Limited	2022/11-2034/11	Aircraft Type: A321neo/ No.: B-18110	-
Lease	ZF Oriental 11 Limited	2022/12-2034/12	Aircraft Type: A321neo/ No.: B-18111	-
Loan	E.SUN Commercial Bank	2020/02-2023/02	Mid-term Unsecured Loan	-
Loan	Bank of Taiwan and other 8 banks	2020/07-2024/06		-
Loan	Land Bank of Taiwan and other 5 banks	2021/10-2023/09		-
Loan	Bank of Taiwan	2016/10-2028/10	Secured Loan (Aircraft Type: A350-900)	-
Loan	Bank of Communications	2017/01-2029/01		-
Loan	Agricultural Bank of Taiwan	2017/04-2029/04		-
Loan	Taiwan Business Bank	2017/04-2029/04		-
Loan	Hua Nan Commercial Bank	2017/06-2029/06		-
Loan	China Construction Bank Corporation	2017/11-2029/11		-
Loan	Bank of Taiwan	2018/04-2030/04		-
Loan	Hua Nan Commercial Bank	2020/06-2032/06		-
Loan	Land Bank of Taiwan	2020/06-2032/06		-
Loan	Bank of Taiwan	2022/10-2034/10		Secured Loan (Aircraft Type: 777F)
Bills	China Bills Finance Corporation	2020/04-2023/04	FRCP	-
Bills	International Bills Finance Corp.	2020/03-2025/03		-
Bills	China Bills Finance Corporation	2020/05-2023/05		-
Bills	China Bills Finance Corporation	2021/09-2026/09		-
Bills	International Bills Finance Corp.	2021/09-2024/09		-
Bills	China Bills Finance Corporation and other 8 corporations	2018/03-2022/03	FRCP Joint Underwriting,	-
Bills	International Bills Finance Corporation and 4 corporations	2019/07-2024/08		-
Surface Rights Registration Contract of Taipei CAL Building	Northern Region Branch of National Property Administration of the Ministry of Finance	2016/12/31-2026/12/30	Renew lease period for 10 years according to the original contract. Rental price adjustments are based on the assessment of the Announced Land Current Value and publicly announced land value.	-
Taipei CAL Building Lease Contract	FX Hotels Taiwan	2010/09/01-2026/12/30	Rental subject: Located at No.131, Sec. 3, Nanjing E. Rd., Songshan Dist., Taipei City, CAL Building. Part of B1F 560.7 m ² , 1F 365.3 m ² , 10-13F 7,091 m ² . Total: 8,016.9 m ² . 9 parking space at B1F	-
Taipei CAL Building Lease Contract	OEC Freight Worldwide Co., Ltd. of the OEC Group	2016/03/01-2026/12/31	Rental subject: Located at No.131, Sec. 3, Nanjing E. Rd., Songshan Dist., Taipei City, CAL Building. 7F 1,796.8 m ² , part of B1F 50.4 m ² . 1 parking space at B1F, 12 parking spaces at B2F.	-
Nankan CAL Park Land Lease Contract	Costco President Taiwan Inc.	Inception of the lease: 2012/08/30 Period of leasing: 20 years from the inception of the lease	Rental subject: Land located at No.705 and No.705-1 Jinzhong part, Lujhu Dist., Taoyuan City. Total: 27,709.21 m ²	In accordance with notarized text
Kaohsiung	FX Hotels Taiwan	2012/12/31-2032/12/30	Rental subject:	-

Agreement	Counterparty	Period	Major Contents	Restrictions
CAL Building Lease Contract			Located at No.81, Zhonghua 3rd Rd., Qianjin Dist., Kaohsiung City. B1F 383.2 m ² , 1F 336.8 m ² , mezzanine 79.4 m ² , 2F-12F 3,583.3 m ² , roof protrusion 117.2 m ² . Total: 4,499.9 m ²	
CAL Park Building Lease Contract	CAL Park Co., Ltd.	2022/01/01-2023/12/31 The contract will be automatically renewed in every two years.	Rental subject: Administration Center Building, Crew Center Building, Flight Training Center Building, Basement Parking Lot. Total: 83107.4 m ² .	-
Technical Cooperation Contract	Pratt & Whitney	Effective from 2020/12/18 with no expiry date.	Became a member of GTF Engine Repair Alliance and undertook the GTF-1100G engine maintenance business.	-
Engine Maintenance Contract	ROLLS-ROYCE PLC	2008/01/22-2031/09/30	A350 Fleet Engine Maintenance	-
Engine Maintenance Contract	GE ENGINE SERVICES, LLC	2014/10/01-2028/05/15	777 Fleet Engine Maintenance	-
Engine Maintenance Contract	SOCIETE AIR FRANCE	2021/06/01-2041/03/31	777F Fleet Engine Maintenance	-

Financial Information

6.1 Five-Year Financial Summary

6.2 Five-Year Financial Analysis

**6.3 Consolidated Financial Statements for the Year's
End and Independent Auditors' Report**

**6.4 Parent Company-Only Financial Statements for the
Year's End and Independent Auditors' Report**

6.5 Audit Committee's Review Report

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Consolidated Condensed Balance Sheet – Based on IFRS

Unit: NT\$ thousands

Item	Year	Financial Summary for the Last Five Years (Note 1)				
		2018 (Note 2)	2019 (Note 3)	2020 (Note 4)	2021 (Note 5)	2022 (Note 6)
Current assets		52,827,560	51,822,342	61,872,468	85,849,590	69,822,343
Property, plant and equipment		163,107,718	145,886,971	141,481,694	129,632,046	128,207,404
Intangible assets		1,210,796	1,182,692	1,076,351	1,008,992	883,420
Other assets		12,990,508	94,155,974	79,763,571	78,230,453	95,499,026
Total assets		230,136,582	293,047,979	284,194,084	294,721,081	294,412,193
Current liabilities	Before distribution	60,949,892	76,351,527	62,649,715	53,239,105	71,255,078
	After distribution	62,086,170	76,351,527	62,649,715	58,239,105	-
Non-current liabilities		109,139,606	156,564,335	160,832,796	164,276,958	150,703,673
Total liabilities	Before distribution	170,089,498	232,915,862	223,482,511	217,516,063	221,958,751
	After distribution	171,225,776	232,915,862	223,482,511	222,516,063	-
Equity attributable to shareholders of the parent		57,081,572	56,553,772	57,559,483	74,043,573	70,000,201
Capital stock		54,209,846	54,209,846	54,209,846	59,412,243	60,135,374
Capital surplus	Before distribution	1,241,214	2,488,907	1,187,327	2,694,529	3,120,311
	After distribution	1,241,214	1,191,065	836,746	2,694,529	-
Retained earnings	Before distribution	1,615,661	(1,297,842)	(350,581)	9,253,848	7,309,766
	After distribution	479,383	-	-	4,253,848	-
Other equity interest		58,223	1,196,233	2,543,766	2,713,828	(534,375)
Treasury shares		(43,372)	(43,372)	(30,875)	(30,875)	(30,875)
Non-controlling interest		2,965,512	3,578,345	3,152,090	3,161,445	2,453,241
Total equity	Before distribution	60,047,084	60,132,117	60,711,573	77,205,018	72,453,442
	After distribution	58,910,806	60,132,117	60,711,573	72,205,018	-

Note 1: Annual financial information from 2018-2022 was verified by Deloitte & Touche.

Note 2: The 2018 Profit Distribution Proposal was passed at the shareholder meeting held on June 25, 2019, the legal reserve appropriated was NT\$ 114,493,000, the cash dividend distributed was NT\$1,136,278,000, and a reversal of special reserves of NT\$105,843,000.

Note 3: The 2019 Deficit Compensation Proposal was passed at the shareholder meeting held on June 23, 2020, with legal reserve of NT\$466,416,000, a special reserve of NT\$12,967,000, and a capital surplus of NT\$1,297,843,000 to make up for the losses. Capital surplus decreased from NT\$2,488,907,000 to NT\$1,191,065,000.

Note 4: The 2020 Deficit Compensation Proposal was passed at the shareholder meeting held on August 12, 2021. Capital surplus of NT\$350,581,000 was used to cover the loss. Capital surplus decreased from NT\$1,187,327,000 to NT\$836,746,000.

Note 5: The 2021 Profit Distribution Proposal was passed at the shareholder meeting held on May 26 2022. The legal reserve appropriated was NT\$ 925,385,000. The cash dividend distributed was NT\$5,000,000,000.

Note 6: The 2022 Profit Distribution Proposal was approved in the 9th meeting of the 22nd Board of Directors on March 9 2023, though it has not to be passed at the shareholders' general meeting yet.

6.1.2 Consolidated Condensed Statement of Comprehensive Income – Based on IFRS

Unit: NT\$ thousands; EPS (net) = NT\$

Item	Year	Financial Summary for the Last Five Years (Note 1)				
		2018	2019	2020	2021	2022
Revenue		170,711,607	168,444,160	115,250,550	138,841,403	150,722,471
Gross profit		17,207,531	16,686,928	10,219,201	23,354,457	11,370,213
Operating profit		4,022,383	2,665,821	2,184,416	14,968,035	2,584,734
Non-operating income and expenses		(941,134)	(2,762,638)	(2,838,213)	(3,841,430)	76,026
Pretax profit (loss)		3,081,249	(96,817)	(653,797)	11,126,605	2,660,760
Income from operations of continued segments - after tax		2,272,684	(675,002)	(279,814)	8,956,664	2,245,401
Income from discontinued operations		-	-	-	-	-
Net income (loss)		2,272,684	(675,002)	(279,814)	8,956,664	2,245,401
Other comprehensive income (income/loss after taxes)		(578,363)	462,758	864,072	30,581	(3,043,929)
Total comprehensive gain (loss) for the year		1,694,321	(212,244)	584,258	8,987,245	(798,528)
Net income attributable to shareholders of the parent		1,790,361	(1,199,798)	140,000	9,379,905	2,859,503
Net income attributable to non-controlling interest		482,323	524,796	(419,814)	(423,241)	(614,102)
Comprehensive income attributable to Shareholders of the parent		1,258,035	(647,085)	966,968	9,429,042	(292,972)
Comprehensive income attributable to non-controlling interest		436,286	434,841	(382,710)	(441,797)	(505,556)
Earnings (Loss) per share		0.33	(0.22)	0.03	1.67	0.48

Note 1: 2018-2022 annual financial information was verified by Deloitte & Touche.

6.1.3 Condensed Balance Sheet – Based on IFRS (Parent Company Only)

Unit: NT\$ thousands

Item	Year	Financial Summary of the Last Five Years (Note 1)				
		2018 (Note 2)	2019 (Note 3)	2020 (Note 4)	2021 (Note 5)	2022 (Note 6)
Current assets		42,932,859	40,989,612	51,858,785	73,846,790	59,536,245
Property, plant, and equipment		149,029,054	131,029,886	126,414,462	115,174,548	114,770,352
Intangible assets		979,708	971,298	867,453	754,349	654,596
Other assets		21,972,600	95,885,709	81,769,065	80,875,029	93,131,005
Total assets		214,914,221	268,876,505	260,909,765	270,650,716	268,092,198
Current liabilities	Before distribution	55,179,834	68,000,173	56,740,010	45,666,704	62,280,883
	After distribution	56,316,112	68,000,173	56,740,010	50,666,704	-
Non-current liabilities		102,652,815	144,322,560	146,610,272	150,940,439	135,811,114
Total liabilities	Before distribution	157,832,649	212,322,733	203,350,282	196,607,143	198,091,997
	After distribution	158,968,927	212,322,733	203,350,282	201,607,143	-
Equity attributable to shareholders of the parent		57,081,572	56,553,772	57,559,483	74,043,573	70,000,201
Capital stock		54,209,846	54,209,846	54,209,846	59,412,243	60,135,374
Capital surplus	Before distribution	1,241,214	2,488,907	1,187,327	2,694,529	3,120,311
	After distribution	1,241,214	1,191,065	836,746	2,694,529	-
Retained earnings	Before distribution	1,615,661	(1,297,842)	(350,581)	9,253,848	7,309,766
	After distribution	479,383	-	-	4,253,848	-
Other equity interest		58,223	1,196,233	2,543,766	2,713,828	(534,375)
Treasury shares		(43,372)	(43,372)	(30,875)	(30,875)	(30,875)
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	57,081,572	56,553,772	57,559,483	74,043,573	70,000,201
	After distribution	55,945,294	56,553,772	57,559,483	69,043,573	-

Note 1: Annual financial information from 2018-2022 was verified by Deloitte & Touche.

Note 2: The 2018 Profit Distribution Proposal was passed at the shareholder meeting held on June 25, 2019, the legal reserve appropriated was NT\$ 114,493,000, the cash dividend distributed was NT\$1,136,278,000, and a reversal of special reserves of NT\$105,843,000.

Note 3: The 2019 Deficit Compensation Proposal was passed at the shareholder meeting held on June 23, 2020, with legal reserve of NT\$466,416,000, a special reserve of NT\$12,967,000, and a capital surplus of NT\$1,297,843,000 to make up for the losses. Capital surplus decreased from NT\$2,488,907,000 to NT\$1,191,065,000.

Note 4: The 2020 Deficit Compensation Proposal was passed at the shareholder meeting held on August 12, 2021. Capital surplus of NT\$350,581,000 was used to cover the loss. Capital surplus decreased from NT\$1,187,327,000 to NT\$836,746,000.

Note 5: The 2021 Profit Distribution Proposal was passed at the shareholder meeting held on May 26 2022. The legal reserve appropriated was NT\$ 925,385,000. The cash dividend distributed was NT\$5,000,000,000.

Note 6: The 2022 Profit Distribution Proposal was approved in the 9th meeting of the 22nd Board of Directors on March 9 2023, though it has not to be passed at the shareholders' general meeting yet.

6.1.4 Condensed Statement of Comprehensive Income – Based on IFRS (Parent Company Only)

Unit: NT\$ thousands; EPS (net) = NT\$

Item	Year	Financial Summary for the Last Five Years (Note 1)				
		2018	2019	2020	2021	2022
Revenue		150,264,792	146,372,401	106,327,123	132,140,248	141,069,849
Gross profit		12,649,836	11,364,235	11,136,944	25,910,694	12,980,501
Operating profit		1,847,567	80,235	4,884,855	19,320,396	5,917,040
Non-operating income and expenses		468,064	(1,267,561)	(4,713,760)	(7,346,456)	(2,028,138)
Pretax profit (loss)		2,315,631	(1,187,326)	171,095	11,973,940	3,888,902
Income from operations of continued segments - after tax		1,790,361	(1,199,798)	140,000	9,379,905	2,859,503
Income from discontinued operations		-	-	-	-	-
Net income (loss)		1,790,361	(1,199,798)	140,000	9,379,905	2,859,503
Other comprehensive income (income/loss after tax)		(532,326)	552,713	826,968	49,137	(3,152,475)
Total comprehensive gain (loss) for the year		1,258,035	(647,085)	966,968	9,429,042	(292,972)
Net income attributable to shareholders of the parent		0.33	(0.22)	0.03	1.67	0.48

Note 1: Annual financial information from 2018-2022 was verified by Deloitte & Touche.

6.1.5 Condensed Balance Sheet – Based on ROC GAAP (Parent Company Only): Not Applicable.

6.1.6 Condensed Statement of Comprehensive Income – Based on ROC GAAP (Parent Company Only): Not Applicable.

6.1.7 Auditors' Opinions from 2017 to 2021

Year	Accounting Firm	Name of CPA	Audit Opinion (Note)
2018	Deloitte & Touche	Yang, Chen-Hsiu; Huang, Jui-chan	Unqualified opinions and other matters
2019	Deloitte & Touche	Huang, Jui-chan; Cheng, Shih-Ran	Unqualified opinions and other matters
2020	Deloitte & Touche	Huang, Jui-chan; Cheng, Shih-Ran	Unqualified opinions and other matters
2021	Deloitte & Touche	Huang, Jui-chan; Cheng, Shih-Ran	Unqualified opinions and other matters
2022	Deloitte & Touche	Lee, Kuan-Hao; Cheng, Shih-Ran	Unqualified opinions and other matters

Note: The financial statements and relevant information of some subsidiaries have not been audited by Deloitte & Touche since 2018; they have been audited by other accountants. The information on how the Company's equity-accounted investments and overall gains are affected is explained in the paragraphs on "other matters".

6.2 Five-Year Financial Analysis

6.2.1 Consolidated Financial Analysis – Based on IFRS

Item (Note 2)	Year	Financial Summary of the Last Five Years (Note 1)				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt ratio	73.91	79.48	78.64	73.80	75.39
	Ratio of long-term capital to property, plant, and equipment	103.73	148.54	156.59	186.28	174.06
Solvency (%)	Current ratio	86.67	67.87	98.76	161.25	97.99
	Quick ratio	67.50	54.57	84.18	144.08	81.48
	Interest earned ratio (times)	338.05	103.79	74.92	566.29	194.07
Operating performance	Accounts receivable turnover (times)	18.30	18.13	12.64	11.98	12.25
	Average collection period	19.95	20.13	28.87	30.46	29.80
	Inventory turnover (times)	-	-	-	-	-
	Accounts payable turnover (times)	-	-	-	-	-
	Average days in sales	-	-	-	-	-
	Property, plant, and equipment turnover (times)	1.08	1.09	0.80	1.02	1.17
Profitability	Total assets turnover (times)	0.75	0.64	0.40	0.48	0.51
	Return on total assets (%)	1.48	0.76	0.75	3.76	1.45
	Return on stockholders' equity (%)	3.81	(1.12)	(0.46)	12.99	3.00
	Pre-tax income to paid-in capital (%)	5.68	(0.18)	(1.21)	18.73	4.42
	Profit ratio (%)	1.33	(0.40)	(0.24)	6.45	1.49
Cash flow	Earnings per share (NT\$)	0.33	(0.22)	0.03	1.67	0.48
	Cash flow ratio (%)	44.34	49.15	15.52	93.70	65.75
	Cash flow adequacy ratio (%)	366.94	518.33	579.28	825.91	678.90
Leverage	Cash reinvestment ratio (%)	8.17	12.24	2.98	15.20	13.23
	Operating leverage	6.00	14.20	16.28	3.11	13.40
	Financial leverage	1.52	(3.95)	(2.50)	1.19	58.82

Analysis of financial ratio differences of the last two years. (Not required if the difference does not exceed 20%.)

1. Solvency ratios: Mainly due to the demand in the international freight market stabilized in 2022, resulting in a decrease in current assets such as cash and accounts receivable compared with the previous period.
2. Operating and profitability ratios: Mainly due to the rise in global oil prices in 2022 resulting in a substantial increase in operating costs compared with the previous period, further affecting operating profits, and a decrease in after-tax net income compared with the previous period.
3. Cash flow ratios: Mainly due to the recovery of demand in the passenger transport market in 2022, and the increase in current liabilities such as air fare payments received in advance and long-term borrowings due within one year compared with the previous period.
4. Financial leverage: Mainly the rise in global oil prices in 2022 resulted in a substantial increase in operating costs compared with the previous period, further affecting operating profits.

6.2.2 Financial Analysis – Based on IFRS (Parent Company Only)

Item (Note 2)	Year	Financial Summary of the Last Five Years (Note 1)				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt ratio	73.44	78.97	77.94	72.64	73.89
	Ratio of long-term capital to fixed assets	107.18	153.31	161.51	195.34	179.32
Solvency (%)	Current ratio	77.81	60.28	91.40	161.71	95.59
	Quick ratio	57.87	45.87	76.90	142.97	77.14
	Interest earned ratio (times)	292.02	60.78	99.48	660.63	258.73
Operating performance	Accounts receivable turnover (times)	16.57	16.72	12.34	11.83	11.90
	Average collection period	22.46	21.83	29.57	30.86	30.67
	Inventory turnover (times)	-	-	-	-	-
	Accounts payable turnover (times)	-	-	-	-	-
	Average days in sales	-	-	-	-	-
	Fixed assets turnover (times)	1.03	1.05	0.83	1.09	1.23
	Total assets turnover (times)	0.70	0.61	0.40	0.50	0.52
Profitability	Return on total assets (%)	1.33	0.51	0.89	4.18	1.72
	Return on stockholders' equity (%)	3.14	(2.11)	0.25	14.25	3.97
	Pre-tax income to paid-in capital (%)	4.27	(2.19)	0.32	20.15	12.90
	Profit ratio (%)	1.19	(0.82)	0.13	7.10	2.03
	Earnings per share (NT\$)	0.33	(0.22)	0.03	1.67	0.48
Cash flow	Cash flow ratio (%)	43.61	48.16	24.19	109.78	73.20
	Cash flow adequacy ratio (%)	381.09	557.30	610.31	708.23	600.13
	Cash reinvestment ratio (%)	7.68	11.34	4.50	16.38	13.80
Leverage	Operating leverage	11.25	396.38	7.15	2.46	5.82
	Financial leverage	3.45	(0.03)	2.32	1.13	1.60

Analysis of financial ratio differences of the last two years. (Not required if the difference does not exceed 20%.)

- Solvency ratios: Mainly due to the demand in the international freight market stabilized in 2022, resulting in a decrease in current assets such as cash and accounts receivable compared with the previous period.
- Operating ratios: Mainly the rise in global oil prices in 2022 resulted in a substantial increase in operating costs compared with the previous period, further affecting operating profits, and a decrease in after-tax net income compared with the previous period.
- Cash flow ratios: Mainly due to the recovery of demand in the passenger transport market in 2022, and the increase in current liabilities such as airfare payments received in advance and long-term borrowings due within one year compared with the previous period.
- Leverage ratios: Mainly the rise in global oil prices in 2022 resulted in a substantial increase in operating costs compared with the previous period, further affecting operating profits.

Note 1: Annual financial information from 2018-2022 was verified by Deloitte & Touche.

Note 2: The calculations of the above financial ratios are based on the following formulas:

1. Financial structure

(1) Debt ratio = total liabilities / total assets

(2) Ratio of long-term capital to property, plant, and equipment = (total shareholders' equity + non-current liabilities) / net property, plant, and equipment

2. Solvency

(1) Current ratio = current assets / current liabilities

(2) Quick ratio = (current assets – inventory – prepaid expenses) / current liabilities

(3) Interest earned ratio (times) = earnings before interest and taxes / interest expenses

3. Operating performance

(1) Accounts receivable turnover (including accounts receivable and notes receivable arising from business activities) = net sales / average accounts receivable (including accounts receivable and notes receivable arising from business activities)

(2) Average collection period = 365 / average accounts receivable turnover

(3) Inventory turnover = cost of goods sold / average inventory

(4) Accounts payable turnover (including accounts payable and notes payable arising from business activities) = cost of goods sold / average accounts payable (including accounts payable and notes payable arising from business activities)

(5) Average inventory turnover days = 365 / inventory turnover ratio

(6) Property, plant, and equipment turnover = net sales / net property, plant, and equipment

(7) Total asset turnover = net sales / average total assets

4. Profitability

(1) Return on total assets = [net income + interest expense x (1 - effective tax rate)] / average total assets

(2) Return on stockholders' equity = net income / average stockholders' equity

(3) Net margin = net income / net sales

(4) Earnings per share = (net income attributable to owners of the parent – preferred stock dividends) / weighted average number of shares outstanding

5. Cash flow

(1) Cash flow ratio = net cash flows from operating activities / current liabilities

(2) Cash flow adequacy ratio = five-year sum of net cash flows from operating activities / (five-year sum of capital expenditures + increase in inventory + cash dividends)

(3) Cash flow cash reinvestment ratio = (net cash flows from operating activities – cash dividends) / (gross property, plant, and equipment + long-term investments + other non-current assets + working capital)

6. Leverage

(1) Operating leverage = (net sales – variable operating costs and expenses) / operating profit

(2) Financial leverage = operating profit / (operating profit – interest expenses)

6.2.3 Consolidated Financial Analysis – Based on ROC GAAP: Not Applicable.

6.2.4 Financial Analysis – Based on ROC GAAP (Parent Company Only): Not Applicable.

6.3 Consolidated Financial Statements for the Year’s End and Independent Auditors’ Report: Please refer to Appendix 1.

6.4 Parent Company-Only Financial Statements for the Year’s End and Independent Auditors’ Report: Please refer to Appendix 2.

6.5 Financial Difficulties and Their Impact on the Financial Status of the Company and its Affiliates: None.

6.6 Audit Committee's Report

Audit Committee's Report

The Board of Directors shall prepare and send (1) the 2022 consolidated financial statement and individual financial statement that have been jointly audited by Deloitte CPAs Lee, Kuan-Hao and Cheng, Shih-Ran, who released an official unqualified opinion by March 9, 2023, and (2) the 2022 business report and Earnings Distribution Statement after having found to have no discrepancies by this audit committee and, thereupon, issue a report in accordance with the items stipulated in Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

China Airlines

Convener of the audit committee: Huang, Hsieh-Hsing

March 9, 2023

Review of Financial Conditions, Financial Performance, and Risk Management

7.1 Analysis of Financial Status

7.2 Analysis of Financial Performance

7.3 Analysis of Cash Flow

7.4 Major Capital Expenditure Items

**7.5 Investment Policy during the Last Year, Main reasons
for Profits/Losses, Improvement Plans, and
Investment Plans for the Coming Year**

7.6 Analysis of Risk Management

7.7 Other Important Matters

VII. Review of Financial Conditions, Financial Performance, and Risk Management

7.1 Analysis of Financial Status (Consolidated)

Analysis of Changes in Assets, Liabilities, and Equity Over the Past Two Years

Unit: NT\$ thousands

Item	Year	2022	2021	Difference	
				Amount	%
Current assets		69,822,343	85,849,590	(16,027,247)	(18.67)
Property, plant and equipment		128,207,404	129,632,046	(1,424,642)	(1.10)
Intangible assets		883,420	1,008,992	(125,572)	(12.45)
Other assets		95,499,026	78,230,453	17,268,573	22.07
Total assets		294,412,193	294,721,081	(308,888)	(0.10)
Current liabilities		71,255,078	53,239,105	18,015,973	33.84
Non-current liabilities		150,703,673	164,276,958	(13,573,285)	(8.26)
Total liabilities		221,958,751	217,516,063	4,442,688	2.04
Capital stock		60,135,374	59,412,243	723,131	1.22
Capital surplus		3,120,311	2,694,529	425,782	15.80
Retained earnings		7,309,766	9,253,848	(1,944,082)	21.01
Other equity		(534,375)	2,713,828	(3,248,203)	(119.69)
Treasury shares		(30,875)	(30,875)	-	-
Non-controlling interests		2,453,241	3,161,445	(708,204)	(22.40)
Total equity		72,453,442	77,205,018	(4,751,576)	(6.15)

Analysis of changes in financial ratios:

1. Assets: Mainly due to the demand in the international freight market stabilized in 2022, resulting in a decrease in current assets such as cash and accounts receivable compared with the previous period.
2. Liability: Mainly the recovery of demand in the international cargo transport market in 2022, resulted in a substantial increase in airfare payments received in advance and contract liabilities compared with the previous period.
3. Equity: Mainly the rise in global oil prices in 2022 resulted in a substantial increase in operating costs compared with the previous period, and a decrease in after-tax net income compared with the previous period.
4. Other Equity: Mainly due to the change in the fair value of financial assets and hedging instruments measured at fair value through other comprehensive income.

Future response actions: The above changes do not significantly affect the Company.

7.2 Analysis of Financial Performance (Consolidated)

Financial Performance Analysis Table

Unit: NT\$ thousands

Item	Year	2022	2021	Difference	
				Amount	%
Revenue		150,722,471	138,841,403	11,881,068	8.56
Cost		139,352,258	115,486,946	23,865,312	20.66
Gross profit		11,370,213	23,354,457	(11,984,244)	(51.31)
Operating expenses		8,785,479	8,386,422	399,057	4.76
Operating income (loss)		2,584,734	14,968,035	(12,383,301)	(82.73)
Non-operating income and expenses		76,026	(3,841,430)	3,917,456	101.98
Pretax profit (loss)		2,660,760	11,126,605	(8,465,845)	76.09
Income tax expense		415,359	2,169,941	(1,754,582)	80.86
Net income (loss)		2,245,401	8,956,664	(6,711,263)	74.93
Other comprehensive income		(3,043,929)	30,581	(3,074,510)	(10,053.66)
Total comprehensive gain (loss) for the year		(798,528)	8,987,245	(9,785,773)	(108.89)

Analysis of changes in financial ratios:

1. Operating revenue, gross profit, costs, expenses, and profit or loss before tax: Mainly due to the rise in global oil prices in 2022 resulting in a substantial increase in operating costs compared with the previous period, further affecting operating profits, and a decrease in after-tax net income compared with the previous period.
2. Income tax and post-tax profit or loss: Income tax expense arising from 2022 profits.
3. Other comprehensive income (net): Mainly due to the change in the fair value of financial assets and hedging instruments measured at fair value through other comprehensive income.
4. Total comprehensive income for the period: The combined effects of the descriptions of 1, 2, and 3.

7.3 Analysis of Cash Flow (Consolidated)

7.3.1 Cash Flow Analysis for the Current Year

Unit: NT\$ thousands

Item	Year	2022	2021	Difference	
				Amount	%
Cash and Cash Equivalents, Beginning of the Year		45,269,866	27,125,937	18,143,929	66.89
Net Cash Flow from Operating Activities		46,848,741	49,885,130	(3,036,659)	(6.09)
Net Cash Flow from Investing Activities		(20,181,434)	(16,665,149)	(3,516,285)	(21.10)
Net Cash Flow from Financing Activities		(36,685,199)	(15,267,259)	(21,417,940)	140.29
Exchange Rate Adjustment		(271,505)	191,207	(462,442)	(242.20)
Cash and Cash Equivalents, End of Year		34,980,469	45,269,866	(10,289,397)	(22.73)

Analysis of change in cash flow in the current year:

1. The difference in cash flow from investment activities was mainly due to paying for 777F and 787 purchases.
2. The difference in cash flow from financing activities was mainly due to the issuance of cash dividends in the current period, the issuance of corporate bonds in the same period last year, and the cash generated from the implementation of sale and leaseback and the transfer of bailout loans.

7.3.2 Remedy for Cash Deficit and Liquidity Analysis (Consolidated): None.

7.3.3 Cash Flow Analysis for the Coming Year (Parent Company-Only)

The cash balance at the beginning of the period was approximately NT\$27.5 billion. The expected net cash inflow from operating activities for the coming year will be approximately NT\$26 billion. Cash outflow from investing activities was NT\$17 billion. Cash outflow from financing activities was NT\$32.3 billion. Plan to issue domestic unsecured ordinary corporate bonds and take on borrowings by using the new plane as collateral to maintain a cash balance of more than NT\$20 billion at the end of the period.

7.4 Major Capital Expenditure Items (Parent Company-Only)

Major capital expenditures primarily include purchases of new airplanes as part of the operational expansion, which does not have a significant impact on the Company's financial operations.

7.5 Investment Policy during the Last Year, Main Reasons for Profits/Losses, Improvement Plans, and Investment Plans for the Coming Year

To support our primary airline operations and enhance the competitiveness of the CAL Group, investments are made primarily in airline industry-related companies. Currently, these include air transport, tourism services, ground services, logistics and warehousing, air transportation support, aerospace technology, and investing and holding leasing to create a comprehensive air service network and wide-ranging services. Due to the year-long impact of the COVID-19 epidemic in 2022, the Company's loss on investments was accounted for using the equity method which amounted to approximately NT\$2.94 billion.

In the coming year, the Company will continue to evaluate potential investments in passenger, cargo, aircraft maintenance, and aviation training.

7.6 Analysis of Risk Management

7.6.1 Impacts on Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

- A. Impacts on changes in interest rates, foreign exchange rates, and inflation on Company income
Although changes in interest and foreign exchange rates have an impact on Company income, effective control on the impact is limited.
- B. Response measures to changes in interest rates, foreign exchange rates, and inflation
To prevent changes in interest rates, foreign exchange rates, and inflation from creating risks to the Company's overall finances, regular meetings are held by the Board of Directors Risk Committee, and remain alert to economic and financial developments both in Taiwan and overseas to develop a

hedging strategy, evaluate the performance of derivatives, and set an appropriate hedge ratio. These controls help prevent changes by utilizing financial hedging instruments in the financial environment and oil prices from creating systemic financial risks and enable CAL to properly manage risk.

7.6.2 Policies, Main reasons for Gain/Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

- A. The Company does not involve itself in high-risk, highly-leveraged investments.
- B. The Company has developed the Operational Procedures for Lending Funds to Others and Operational Procedures for Endorsements/Guarantees. Risks of such operations are controlled through strict assessment. Therefore, loans and endorsements/guarantees do not bring profits nor cause losses to the Company.
- C. The Company's derivative products include forward foreign exchange and foreign exchange options contracts and oil options contracts, which are primarily to hedge against the risk of fluctuations in oil prices, interest rates, and foreign exchange rates. Transactions are performed in accordance with the Company's Operational Procedures for Derivatives Trading and are regularly evaluated to ensure effective risk controls.

7.6.3 Future Research & Development Projects and Corresponding Budgets: Please refer to page 107.

7.6.4 Impacts on and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales: None.

7.6.5 Impacts on and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales:

A. Cyber Security Management Structure

In order to make China Airlines' information security management operations comply with international information security standards and domestic information security regulations, the Company made organizational restructuring in March 2022 to establish a dedicated information security management unit and incorporate information security management tasks into "Information Security and Personal Information Management Office", which is co-managed by a Data Protection Officer (DPO) and a Chief Information Security Officer (CISO), so that the Chief Information Security Officer's authority is independent of the information management unit to ensure the independence of information security management. We also hold the "Information Security and Personal Information Management Review Meeting" every year to ensure the continuous and effective operation of the information security and personal information management system. The DPO and the CISO report the status of information security and personal information protection at the board meeting every year. Among the current members of the board, independent director Chin-Yeong Hwang has rich experience in management and information and can provide supervision in a timely manner with an independent and objective perspective.

B. Cyber Security Policies

Ensure the security of information and information assets, prevent unauthorized infringement, and continuously maintain their confidentiality, integrity and availability.

C. Information security management practices

In response to the continuous network attacks and information warfare in the international situation, we continue to improve our information security defense, response capabilities, and information security protection framework, and effectively conduct monitoring and protection measures to ensure the stability and development of the Company and the safety of service use.

D. Management Practices

(1) Information System's Cyber Security Maintenance

In order to comprehensively improve information security protection capabilities and cope with ever-changing external security attacks, we have deployed relevant defense measures. We also invite external information security experts to conduct penetration testing and information security health checks (including network structure inspection, malicious activity inspection, etc.), and regularly pay attention to information security issues and plan response actions. During each phase of system development and maintenance, we apply various types of detection technologies to identify and repair vulnerabilities, further ensuring the security of service use.

(2) Regular Evaluations and Exercises

We conduct risk assessments for information and information system assets every year. In addition to assessing the protection requirements of information systems in terms of the three elements of information security, confidentiality, integrity, usability, and the dimension of regulatory compliance, we conduct risk assessments based on the ICAO Aviation Security Manual (Doc. 8973), which assesses of the core information system in three dimensions of aviation safety, aviation security, and aviation convenience, and formulate a business continuity plan for the core information system. In 2022, we conducted 2 information communication system continuity drills and 2 computer disaster backup and recovery drills, which aimed at the most widely affected information security and backbone network equipment, so as to ensure that the information communication system can quickly and effectively return to normal operation and minimize potential losses. We also regularly re-examine and assess the business continuity plan to ensure the availability and completeness of the plan. In order to strengthen the Company's overall information security protection, we completed the annual information security health inspection in October 2022. The review of various information security issues (such as network architecture design logic, network area configuration, etc.) and professional judgment provides information security improvement suggestions to effectively reduce information security risks. We completed the core information system penetration testing in August 2022. The content of the test included information search, error handling testing, etc. in order to comply with inspection standards for US SANS Top 20 Critical Vulnerabilities In Software and top ten webpage information security vulnerabilities categorized by the Open Web Application Security Project. The initial testing and re-testing have identified vulnerabilities that have been patched.

(3) Cyber Security Training:

Dedicated information security personnel shall receive at least 12 hours of information security professional course training or information security functional training each year, and all employees shall receive more than 3 hours of information security education and training each year. In 2022, all employees received information security education and training 4 times, and 4 sessions of social engineering drills were also conducted to strengthen employees' awareness of information security.

(4) Notification of Cyber Security Incidents:

Initiate information security incident and vulnerability notification and emergency response measures according to the degree of the accident, control the impact of disaster damage, and report the post-disaster recovery status, and the dedicated information security personnel will judge whether there is any danger, and immediately adopt notification and contingency measures if necessary. They notify each unit to conduct relevant prevention measures and share the information at aviation safety and enterprise safety meetings. In order to strengthen emergency response procedures and plans, an information security incident notification and response drill plan are established at the beginning of each year, and the information security drill is completed before the end of the year to confirm the effectiveness of the incident notification measures and procedures and that the drill results meet expectations.

(5) Losses, Possible Impacts and Responses to Major Information and Cyber Security Incidents:

None in 2022.

E. Information security verification and audit

In order to maintain the validity of the verification and establish a more complete management system, the Company completed the internal audit and re-verification of the core information system information security management system ISO27001: 2013 in 2022. In order to ensure the security of

the Company's credit card transaction environment and protect the rights and interests of travelers, we have completed the PCI DSS standard compliance verification in November 2022. The Civil Aeronautics Administration of the Ministry of Transportation and Communications carried out the annual aviation network security inspection in May 2022, and the inspection results showed no major deficiencies. The Information Management Division reviewed the various monitoring and alarm information of the defense system for information security threat detection in 2022, and confirmed that none of the information security incidents were caused by virus infection.

F. Effects of and Response to Changes in Technology (including cybersecurity risks) and the Industry Relating to Corporate Finance:

We continue to pay attention to the technological changes related to cybersecurity, grasp technological trends, continuously improve the multi-level protection measures for regulatory compliance, and evaluate their impact on our operations to reduce the overall cybersecurity risk. In the most recent year and as of the publication date of the annual report, technological changes (cybersecurity risks) and industry changes have not had a significant impact on the Company's operations.

G. Actions in response to the COVID-19 outbreak

In response to the COVID-19 pandemic, the Information Management Division regularly checks the firewall records in accordance with the regulations to monitor the network usage of the virtual private network (VPN) connection, and deletes accounts with no usage records, those that have expired or the owners who have been transferred/resigned to reduce network information security risks. Since 2021, we have strengthened the review of user permissions and device security, such as operating system security, anti-virus software and anti-virus code updates, to strengthen risk management and control and prevent unsafe devices from being connected. We also take inventory of remote access accounts used by the ground crews and agents of foreign branches to improve the condition of account sharing and allow identifiable personal accounts to access or gain authorization for the system, so that we can ensure the security of information and our infrastructure.

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management and the Company's Response Measures

The Company has established a long-term safety management system and complied with standard operating procedures. It continued to improve aviation and aircraft maintenance and implemented the highest standard of flight safety. In the spirit of SOP+, various services were implemented, which were recognized by major domestic and overseas awards. The Company also actively invested in social welfare, fulfilled corporate responsibilities, and incorporated environmental management into its operational focus. If there are any false or negative news, messages, or incidents that affect the Company's image, a response will be acted upon immediately with an explanation and clarification given to the public. Posts will be written with explanations on the website or social media platform, if necessary, to reduce negative effects.

We have been committed to establishing a safety management system and complying with standard operating procedures to improve our flight operations and aircraft maintenance and achieve the highest standard of flight safety. We pay attention to various service details based on our SOP+ philosophy, and are actively committed to social welfare in fulfilling our corporate responsibilities. We incorporate environmental management into our operational priorities and continue to promote sustainability actions in all aspects. We have been repeatedly recognized with major awards at home and abroad, demonstrating our determination in sustainable management. We respond to and handle false or negative news, information, or incidents that affect our image, including issuing press releases through our home page or social media for clarification to minimize the negative impact.

We are optimistic about the gradual recovery and the promising future of the international passenger transport market. We pay attention to the global market dynamics, steadily increase the number of flights across the board, develop new destinations to increase product competitiveness, and optimize cabin service experience. As for the cargo transport business, we appropriately plan our existing fleet and flexibly coordinate the capacity to formulate sales strategies and improve the overall cargo revenue. We revamp our fleet and plan the aviation network to adjust the passenger and cargo transport capacity, further maintaining operational flexibility.

7.6.7 Expected Benefits from, Risks Relating to, and Response to Merger and Acquisition Plans: None.

7.6.8 Expected Benefits from, Risks Relating to, and Response to Factory Expansion Plans: None.

7.6.9 Risks Related to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration: None.

7.6.10 Effects of, Risks Relating to, and Response to Large Share Transfers or Changes in Shareholdings by Directors or Shareholders with Shareholdings of over 10%: None.

7.6.11 Effects of, Risks Relating to, and Response to the Changes in Management Rights: None.

7.6.12 Litigation or Non-litigation Matters

Any Major Litigation, Non-litigation, or Administrative Disputes Involving the Company That Are Already Finalized or Still Pending.

No.	Case Name	Summary	Disputed Amount (NT\$)	Litigants	Current Status
1	Litigation for refunding overpayment on aircraft rental	<p>1. In 2002, the Civil Aeronautics Administration (CAA) unilaterally terminated an aircraft rental contract with the Company for six aircraft, resulting in early termination of the contract, which changed the nature of the lease and the rent calculation basis and which resulted in rent overpayment by the Company.</p> <p>2. In 2010, the CAA resolved that the Civil Aeronautics Administration should pay the Company more than NT\$1.5 billion, and, in 2015, the Supreme Court revoked the arbitration judgment, which resulted in the Company filing a civil lawsuit against the CAA to recoup the aforementioned rent overpayment.</p> <p>3. This case has gone through the First and Second Instance trials. The court agreed that there was an overpayment of rent. However, due to incorrect logic used in the calculation, it mistakenly recognized that the Company had offset the final rent payment, so it was judged that the Company had no reason to request the CAAC to return the overpayment of rent.</p>	More than 1.2 billion	Plaintiff: China Airlines Defendant: Civil Aeronautics Administration	<p>On November 27, 2019, the entire case was appealed in the third instance. The Supreme Court affirmed that the Company's proposal to exclude the offsetting amount of the final rental payment was an important method of attack and therefore the original decision was vacated and remanded to the Taiwan High Court.</p> <p>On March 16, 2022, the Supreme Court ruled in the Company's favor in a partial victory, that the CAA should pay China Airlines NTD 178,728,146, plus interest at 5% per annum from March 3, 2011 to the date of settlement. The Civil Aeronautics Administration and the Company both appealed against the losing part of the case. In October 2022, the Supreme Court ruled to reject the appeals of the two parties, and the Civil Aeronautics Administration has paid NT\$287,963,383 in total to our company for the amount of the lost case plus the adjudication costs. The case has been settled.</p>

7.6.13 Other Major Risks:

1. CAL fully understands the importance of risk management and the potential for interactions resulting from different types of risk. CAL formed a Risk Committee directly under the supervision of the Board of Directors to improve risk management and require subordinate units to control for each major risk category.

The CAL Risk Management Organization and Units Responsible for Implementation

Type of Risk	Responsible Department	Risk Management Measures
Operating Risk	Corporate Development Office	The operating environment for the aviation industry is ever changing. Major political and economic events as well as unexpected internal or external events can have a huge impact on the company's operations. The Corporate Development Office analyzes potential political, economic, aviation industry, and internal company situations that could affect the Company, and proposes concrete response plans to reduce their impact on China Airlines' strategic direction and annual business plan.
Safety Risk	Corporate Safety Office	Safety is the most basic principle and core value of China Airlines' business operation as well as its responsibility and commitment to each customer. According to the Safety Management System (SMS), the Company constructs safety risk management. In relation to internal and external operation risks, such as navigation, maintenance, air service, and ground operation, the Company maintains operational risk within an acceptable range through continuous hazard identification and risk management, and proposes improvement measures to effectively enhance the overall safety performance of the Company.
Financial Risk	Finance Div.	Both domestic and global economies affect the operating results of the Company. Primary operating costs for airlines include interest rates, exchange rates, fuel, and outside factors that can result in significant volatility. Therefore, the Finance Division utilizes financial hedging instruments to adjust the above factors within a certain range, regularly monitors financial risk, and develops relevant strategies and measures to effectively manage financial risk.

2. Business strategy improvement measures in response to the impact of COVID-19 in 2021 are as follows:
 - (1) Monthly rolling review and shift scheduling to reduce losses.
 - (2) Seek business opportunities for various types of charter flights (student, corporate, Taiwanese businessman, theme, and type of charter flights) during the pandemic period to increase revenue.
 - (3) Conduct a comprehensive review and timely revision of various fares, keep abreast of the news of inter-airline and the industry, strengthen member and e-commerce relationships, and visit and develop potential corporate customers.
 - (4) At the beginning of the year, for flights with rigid demand, the Company will refer to inter-airline's pricing and space allocation arrangements, instead of using the previous forward control method, in order to increase passenger revenue.
 - (5) After the middle of the year, the Company will flexibly adjust our flights and refer to inter-airline's selling prices, marketable selling prices, and seat allocation arrangements.
 - (6) Enhance passenger reservation and ticketing service training courses to strengthen the professional skills of our employees.

7.7 Other Important Matters: None.

Special Disclosure

8.1 Summary of Affiliated Companies

**8.2 Private Placement Securities in the Most Recent
Years**

**8.3 Shares in the Company Held or Disposed of by
Subsidiaries in the Most Recent Years**

8.4 Special Notes

**8.5 Matters Having Major Impacts on Shareholder
Equity or Share Prices**

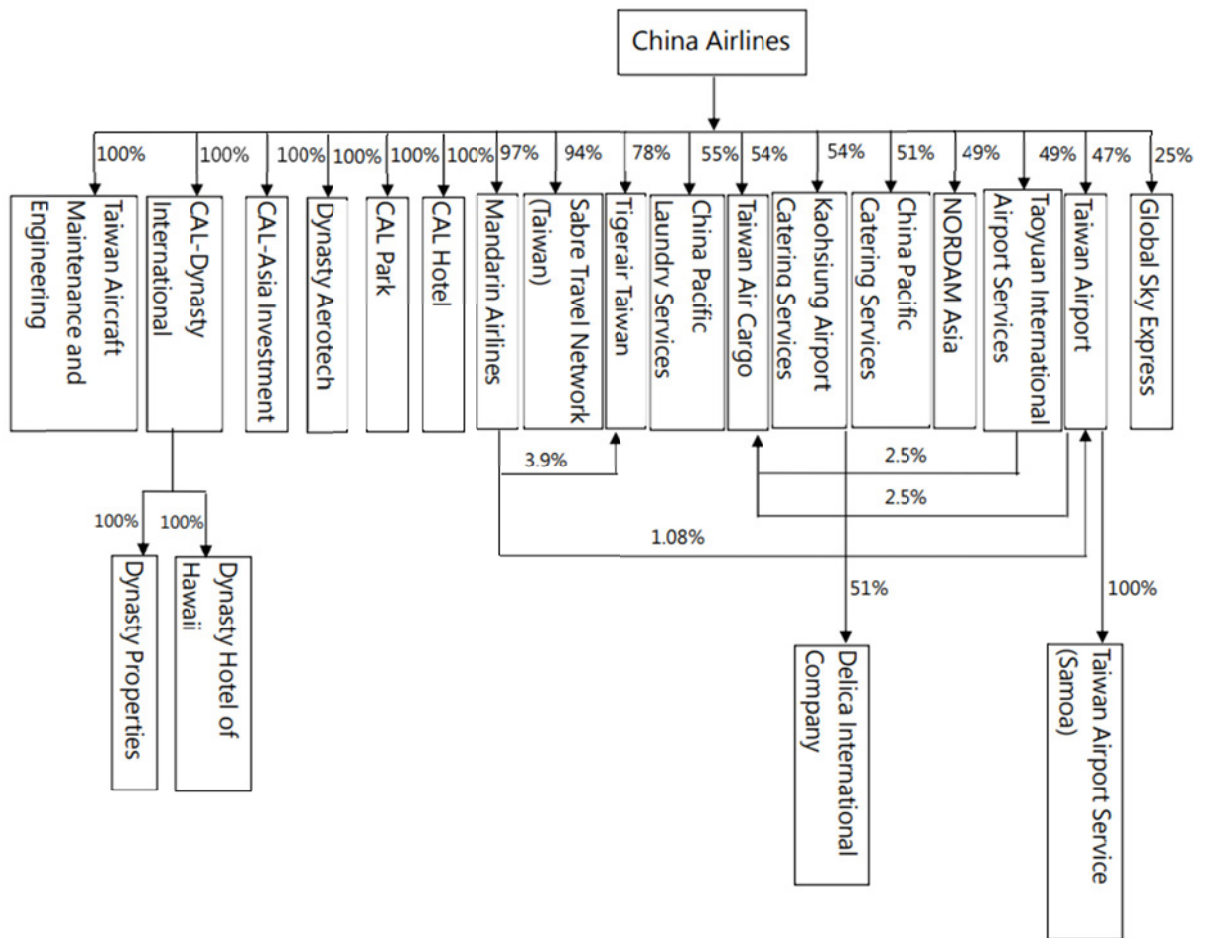
VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 Basic information of Affiliated Companies

A. Affiliated Companies Chart

Dec. 31, 2022



Note: The affiliates listed above are companies in which the company has invested in and have a 50% or higher voting share, or the means to control, either directly or through a subsidiary company. China Pacific Laundry Services, China Pacific Catering Services, and NORDAM Asia are joint ventures.

B. Basic information of Affiliated Companies

Dec. 31, 2022/Unit: NT\$ thousands

Company	Date Founded	Address	Capital (Note)	Principal Activities
1. CAL-Dynasty International, Inc.	07/01/1991	200 Continental Blvd. Suite #101 El Segundo, CA90245, U.S.A.	801,944	Holding & investing
1A Dynasty Properties Co., Ltd.	08/15/1973	200 Continental Blvd. Suite #101 El Segundo, CA90245, U.S.A.	21,472	Real estate investment, property management and leasing
1B Dynasty Hotel of Hawaii, Inc.	12/10/1973	1830 Ala Moana Blvd. Honolulu, Hawaii 96815, U.S.A.	122,699	Hotel service and local travel business
2. CAL-Asia Investment Inc.	06/29/1995	Mandar House, 3rd Floor, P.O. Box 2196, Johnson's Ghut, Tortola, VG1110, Virgin Islands, British	220,011	Holding & investing
3. Dynasty Aerotech International Corp. (Note 2)	05/11/1989	No.6, Hangqin South Road, Dayuan District, Taoyuan City	77,270	Aviation ground handling service, cleaning service
4. CAL Park Co., Ltd.	09/06/2006	No.1, Hangzhan South Road, Dayuan District, Taoyuan City	1,515,464	Real estate leasing, parking lot management
5. CAL Hotel Co., Ltd.	01/03/2007	No.1-1, Hangzhan South Road, Dayuan District, Taoyuan City	334,800	Hotel business
6. Taiwan Aircraft Maintenance and Engineering Co., Ltd.	01/16/2015	No.7, Hangqin South Road, Dayuan District, Taoyuan City	560,000	Aircraft maintenance and repair
7. Mandarin Airlines, Ltd.	04/29/1991	No.3, Alley 123, Lane 405, Dunhua North Road, Taipei City	4,000,000	Civil air transport
8. Sabre Travel Network (Taiwan) Ltd.	10/09/1990	15F, No.57, Fuxing North Road, Taipei City	138,618	IT service & GDS
9. Tigerair Taiwan Co., Ltd.	04/21/2014	No.3, Alley 123, Lane 405, Dunhua North Road, Taipei City	4,000,000	Civil air transport
10. China Pacific Laundry Services Ltd.	09/08/1997	No.7, Lane 54, Sande Street, Luzhu District, Taoyuan City	250,000	Laundry service
11. Taiwan Air Cargo Terminal Ltd.	12/22/1999	No.10-1, Hangqin North Road, Dayuan District, Taoyuan City	2,500,000	Air cargo and storage service
12. Kaohsiung Airport Catering Services Ltd.	09/27/1999	No. 2-10, Zhongshan 4th Road, Xiaogang District, Kaohsiung City	400,500	Catering service
12A Delica International Co., Ltd	05/24/2016	No. 2-10, Zhongshan 4th Road, Xiaogang District, Kaohsiung City	20,000	Catering service
13. China Pacific Catering Services Ltd.	08/19/1994	No.22, Lane 156, Section 2, Haishan Road, Luzhu District, Taoyuan City	861,000	Catering service
14. NORDAM Asia Ltd.	12/07/2017	No. 15, Hangqin South Road, Dayuan Dist., Taoyuan City	77,500	Aircraft maintenance and repair
15. Taoyuan International Airport Services Co., Ltd.	11/08/1978	No.15, Hangqin North Road, Dayuan District, Taoyuan City	700,000	Aviation ground handling service
16. Taiwan Airport Service Co., Ltd.	07/19/1966	3F, No.340, Dunhua North Road, Taipei City	435,600	Aviation ground handling service
16A Taiwan Airport Service (Samoa) Co., Ltd.	03/22/2004	TrustNet Chambers, Lotemau Centre, P. O. Box 1225, Apia, Samoa	180,275	Holding & investing
17. Global Sky Express Ltd.	09/29/1994	8F-3, No.186, Section 4, Nanjing East Road, Taipei City	10,000	Air freight forwarder

Note: Capital was calculated using the exchange rate at the end of 2022: 1 TWD = 0.0326 USD.

C. Overall Description of the Industries in which Affiliated Companies Operate (Including Subsidiaries and Other Invested Companies)

China Airlines' affiliated companies can be divided into seven categories, each of which is highly dependent on the Company's operations, and include airlines, ground services, air transport support, aerospace technology, logistics and warehousing, tourism and leisure, and investment holdings and leasing. The categories are described below:

Classification	Description
Airlines	Mandarin Airlines provides domestic and international passenger and cargo air transport services to further capitalize on CAL's competitive advantage in the cross-strait market. Tigerair Taiwan is tasked with operating in the Asian low-cost carrier market to develop new business opportunities.
Ground Handling Services	Ground services at Taiwan Taoyuan and Taitung Airports are provided by Taoyuan International Airport Services Co., Ltd., while those for Kaohsiung Airport and all other domestic airports are served by Taiwan Airport Service Co., Ltd. Cleaning and repair ground services are provided by Dynasty Aerotech International Corp.
Air Transport Support	The Company has invested in domestic airline reservation system operations and maintenance provider, Sabre Travel Network (Taiwan) Ltd. Overseas, the Company has invested in Singapore's Everest Company. In-flight catering services are provided for northern Taiwan by China Pacific Catering Services Ltd. and by Kaohsiung Airport Catering Services in the South. Delica International Co., Ltd. is the subsidiary of Kaohsiung Airport Catering Services. China Pacific Laundry Services Ltd. provides laundry services for textiles and clothing used aboard aircraft and general laundry services for the hospitality industry.
Logistics and Warehousing	Domestically, Taiwan Air Cargo Terminal Ltd. is responsible for providing warehousing services at Taiwan Taoyuan Airport and Kaohsiung International Airport. In Mainland China, the Company made indirect investments in Airport Air Cargo Terminal (Xiamen) Co., Ltd. and Airport Air Cargo Service (Xiamen) Co., Ltd. Logistics services are provided domestically by invested companies, Global Sky Express Ltd. and Chung Hwa Express Corp. Overseas, the Company has indirectly invested in Hong Kong's Eastern United International Logistics.
Aerospace Technology	In the aerospace technology industry in Taiwan, the Company has invested in Taiwan Aircraft Maintenance and Engineering Ltd., which is responsible for all aspects of maintenance and repair services for Boeing 777 and 737 and Airbus A320 and A350 models. NORDAM Asia provides thrust reverser and composite material maintenance services in the Asian region. Overseas, the Company invested in Xiamen Taiko Landing Gear Co. in Mainland China, which provides and maintains landing gear, and HAECO Composite Structures (Jinjiang) Co. Ltd., which provides composite material maintenance. In Hong Kong, the Company invested in China Aircraft Services Ltd., which provides aircraft maintenance capacity.
Tourism and Leisure	Domestic investment includes CAL Hotel Co., Ltd. Overseas investments include an indirect investment in Dynasty Hotel of Hawaii, Inc. in the USA and investment in Japan's Dynasty Holidays.
Investment Holdings and Leasing Business Group	The established CAL-Dynasty International, Inc., which makes indirect investments in Chinese and American companies, is engaged in real estate investments and leasing management. CAL-Asia Investment Inc. and Taiwan Airport Service (Samoa) Co., Ltd. are engaged in general investment holdings.

D. Directors, Supervisors, and Presidents of Affiliated Companies

Dec. 31, 2022
Units: Shares; %

Company	Title	Name	Shareholding	
			Shares	%
1. CAL-Dynasty International, Inc.	Chairman	Hsieh, Su-Chien (Note 1)	2,614,500 (USD10, share)	100
	Director	Kao, Shing-Hwang (Note 1)		
	Director (President)	Cheng, Yu-Lin (Note 1)		
1A Dynasty Properties Co., Ltd.	Chairman (President)	Cheng, Yu-Lin (Note 2)	7,000 (USD100, share)	100
	Director	Kao, Shing-Hwang; Wang, Ching-Ting (Note 2)		
1B Dynasty Hotel of Hawaii, Inc.	Chairman	Cheng, Yu-Lin (Note 2)	400,000 (USD10, share)	100
	Director	Yen, Yang (Note 2)		
	Director (President)	Tang, Min-Li (Note 2)		
2. CAL-Asia Investment Inc.	Chairman	Hsieh, Su-Chien (Note 1)	7,172,346 (USD1, share)	100
	Director	Kao, Shing-Hwang (Note 1)		
	Director (President)	Wang, Chen-Min (Note 1)		
3. Dynasty Aerotech International Corp. (Note 3)	Chairman	Lee, Jung-Hui (Note 1)	77,270	100
	Director	Liu, Der-Chuan; Huang, Hui Na; Tsai, Chih Hung (Note 1)		
	Supervisor	Wang, Wei (Note 1)		
	Director (President)	Lin, Ruey Jye (Nominated By China Airlines)		
4. CAL Park Co., Ltd.	Chairman	Hsieh, Su-Chien (Note 1)	151,546,405	100
	Director	Huang, Hui Na (Note 1)		
	Supervisor	Fang, Juo-Ling (Note 1)		
	Director (President)	Kao, Shing-Hwang (Note 1)		
5. CAL Hotel Co., Ltd.	Chairman	Hsieh, Su-Chien (Note 1)	33,480,000	100
	Director	Wang, Chen-Min; Kao, Shing-Hwang; Lo, Ya-Mei; Lai, Ming-Hui (Note 1)		
	Supervisor	Fang, Juo-Ling; Wang, Ching-Ting (Note 1)		
	President	Nakita Shen		
6. Taiwan Aircraft Maintenance and Engineering Co., Ltd.	Chairman	Sun, Jia-Min (Note 1)	56,000,000	100
	Director	Chen, I-Chieh; Lee, Jung-Hui; Tsai, Chih Hung; Wang, Chen-Min (Note 1)		
	Supervisor	Ho, Hui-Fen; Wang, Ching-Ting (Note 1)		
	President	Chang, Hsu Yu (Nominated By China Airlines)		
7. Mandarin Airlines, Ltd.	Chairman	Kao, Shing-Hwang (Note 1)	387,831,234	96.96
	Director	Chen, I-Chieh; Lai, Ming-Hui; Sun, Jia-Min; Wang, Chen-Min; Peng, Long-Min; Lo, Ya-Mei (Note 1)		
	Independent Director	Hsieh, Yung-Ming (Independent Directors Undertaking Public Welfare)		
	Supervisor	Wang, Wei		
	Director (President)	Peng, Long-Min (Note 1)		
8. Sabre Travel Network (Taiwan) Ltd.	Chairman	Chung, Ming-Jyh (Note 1)	13,021,042	93.93
	Director	Chen, Pei-Ti; Peng, Pao-Chu; Lee, Yi-Chou (Note 1)		
	Director	Brett Scott Thorstad (Represent Sabre Travel Network Asia Pacific)	609,000	4.39
	Supervisor	Ho, Hui-Fen		
	President	Lee, Hsien-Kuang (Nominated By China Airlines)		
9. Tigerair Taiwan Co., Ltd.	Chairman	Chen, Han-Ming (Note 1)	313,631,656	78.41

Company	Title	Name	Shareholding	
			Shares	%
	Director	Peng, Pao-Chu; Peng, Long-Min; Wang, Chen-Min; Chang, Cheng-Hao; Chen, I-Chieh; (Note 1)		
	Director	Fan, Hung-Shu; Lu, Yen-Liang; Jao, Shih-chen; Yen, Sin-Hui		
	Independent Director	Chen, I-Heng (Independent director undertaking public welfare); Tsao, Sheng-Hsiung; Yang, David		
	President	Chang, Ming-Wei		
10. China Pacific Laundry Services Ltd.	Chairman	Tsao, Jyh-Fen (Note 1)	13,750,000	55
	Director	Chen, Chwen-Der; Chu, Te-Hsiu; (Note 1)		
	Director	Chan, Derrick (Represent Hendriz Holding)	3,750,000	15
	Director	Yeung, Maggie (Represent Heathlee Int'l)	3,750,000	15
	Supervisor	Caho, Wen-Kan (Represent Merton Lake)	3,750,000	15
	Supervisor	Wang, Wei		
	President	Lin, Chun-Nan (Nominated By China Airlines)		
11. Taiwan Air Cargo Terminal Ltd.	Chairman	Wang, Chen-Min (Note 1)	135,000,000	54
	Deputy Chairman	Charles C. Y. Chen (Represent Eyon Industrial Co.)	6,000,000	2.4
	Director	Chang, Cheng-Hao; Liu, Der-Chuan (Note 1)		
	Director (President)	Mao, Li-Chung		
	Director	UPS	20,000,000	8
	Director	Michael Shea (Represent Hsin Feng Corp.)	7,000,000	2.8
	Supervisor	Wang, Wei		
	Supervisor	Chen, Jyi-Fu (Represent Express Container Terminal Corp.)	15,000,000	6
12. Kaohsiung Airport Catering Services Ltd.	Chairman	Chen, I-Chieh (Note 1)	21,494,637	53.67
	Director	Sun, Jia-Min; Tsao, Jyh-Fen (Note 1)		
	Director	Lin, Jyh-Jong; Tsai, Ta-Wei (Nominated By Uni Airways Corporation)	16,178,945	40.4
	Supervisor	Han, Lan-Ping (Nominated By Evergreen International Corporation)	10,000	0.02
	Supervisor	Yen, Yang		
	President	Guo, Hou-Li		
12A. Delica International Co., Ltd	Chairman	Lee, Ho-Yuan (Nominated By Kaohsiung Airport Catering Services)	1,020,000	51
	Director	Lin, Jyh-Jong (Nominated By Kaohsiung Airport Catering Services)		
	Director	Tokuyama, Keiichi; Tokuyama, Keisuke (Nominated By F. TEC Co., Ltd)	980,000	49
	Supervisor	Lai, Li Chao; Araki, Osamu		
	President	Eguchi, Kenichi		
13. China Pacific Catering Services Ltd.	Chairman	Yeh, Chu-Lan (Note 1)	43,911,000	51
	Director	Lo, Ya-Mei; Tsao, Jyh-Fen (Note 1)		
	Director	Lee, Joy Yan; Mao, Chi-Chiung (Represent Aldeburgh Limited)	21,094,500	24.5
	Supervisor	Fang, Juo-Ling		
	Supervisor	Caho, Wen-Kan (Represent Deli Holdings Limited)	21,094,500	24.5
	President	Fang, Yuan-Hua (Nominated By China Airlines)		
14. NORDAM Asia Ltd.	Chairman	T. Hastings Siegfried (Nominated By The NORDAM Group)	3,952,500	51
	Deputy Chairman	Sun, Jia-Min (Note 1)	3,797,500	49

Company	Title	Name	Shareholding	
			Shares	%
	Director	Lee, Jung-Hui (Note 1)		
	Director	J.Terrell Siegfried; Jamie Lane (Nominated By The NORDAM Group)		
	Supervisor	Ralph McDavid		
	Supervisor	Ho, Hui-Fen		
	President	Jose Bernal		
15. Taoyuan International Airport Services Co., Ltd.	Chairman	Wang, Chen-Min (Represent Motc)	31,500,000	45
	Director	Chen, Wen-Juei; Chang, Chang-Chi; Hu, Di-Qi; Lee, Chun-Hsiung (Represent Motc)		
	Director	Chen, I-Chieh; Sun, Jia-Min; Chu, Te-Hsiu; Lu, Shih-Ming (Note 1)	34,300,000	49
	Director (President)	Chen, Ting-Ming		
	Director	He, Jing-Yi (Represent UPS)	4,200,000	6
	Supervisor	Wang, Wei		
	Supervisor	Li, Shen-Yi		
16. Taiwan Airport Service Co., Ltd.	Chairman (President)	Han, Liang-Chung (Note 1)	20,626,644	47.35
	Director	Sun, Chien-I (Note 1)		
	Director	Lu, Shih-Ming (Note 1)		
	Director	Li, Li-Yu (Representing juridical person shareholder Rih Hsin Asset Management Company)	7,085,300	16.27
	Director	Chang, Chieh-Tang (Represent Goldsun Building Materials)	7,405,200	17
	Supervisor	Fang, Juo-Ling		
	Supervisor	Chen, Yao-Ming		
16A Taiwan Airport Service (Samoa) Co., Ltd.	Authorized Signatory	Han, Liang-Chung (Represent Taiwan Airport Service Co.)	5,876,976 (USD 1 per share)	100
17. Global Sky Express Ltd.	Chairman	Li, Chung-Hui	50,000	5
	Director	Liu, Der-Chuan; Shann, Da-Sin; Chang, Cheng-Hao (Note 1)	250,000	25
	Director	Huang, Nan-Sheng	50,000	5
	Director	Wei, Ching-Li	20,000	2
	Director	Hsiao, Yu-Hsin	20,000	2
	Director	Chung, Mei-Chih (Represent Leader Mutual Freight System)	20,000	2
	Supervisor	Tsai, Jiunn-Chin		
	Supervisor	Yeh, Chien-Tien	10,000	1
	Supervisor	Chiang, Ming-Fang (Represent Morrison Express)	50,000	5
	President	Chu, Shin-Jau (Nominated By China Airlines)		

Note 1: Representative of juridical person shareholder, China Airlines.

Note 2: Representative of juridical person shareholder, CAL-Dynasty International, Inc.

E. Affiliated Company Business Overview

Dec. 31, 2022

Unit: NT\$ thousands; EPS=NT\$

Company	Capital	Total Assets	Total Liabilities	Total Equity	Operating Revenue	Operating Income (Loss)	Profit (Loss)	EPS (Dollars)
1. CAL-Dynasty International, Inc.	801,994	1,501,590	143,716	1,357,874	352,068	16,831	62,842	24.04
1A Dynasty Properties Co., Ltd.	21,472	745,841	178,057	567,784	86,768	66,211	13,546	2,709.29
1B Dynasty Hotel of Hawaii, Inc.	122,699	558,581	130,318	428,263	265,664	83,524	46,440	116.10
2. CAL-Asia Investment Inc.	220,011	617,101	0	617,101	0	(995)	42,006	5.86
3. Dynasty Aerotech International Corp.	77,270	222,435	77,935	144,500	373,885	41,648	33,859	438.20
4. CAL Park Co., Ltd.	1,515,464	4,796,082	3,241,126	1,554,956	345,613	85,423	32,106	0.21
5. CAL Hotel Co., Ltd.	334,800	1,371,765	1,068,564	303,202	315,568	(92,171)	(31,198)	(0.93)
6. Taiwan Aircraft Maintenance and Engineering Co., Ltd.	560,000	3,053,756	2,602,435	451,322	275,030	(68,591)	(106,596)	(1.90)
7. Mandarin Airlines, Ltd.	4,000,000	6,347,603	5,074,249	1,273,354	4,307,945	(355,832)	(649,724)	(1.62)
8. Sabre Travel Network (Taiwan) Ltd.	138,618	242,051	44,100	197,951	57,063	(14,555)	(10,573)	(0.76)

Company	Capital	Total Assets	Total Liabilities	Total Equity	Operating Revenue	Operating Income (Loss)	Profit (Loss)	EPS (Dollars)
9. Tigerair Taiwan Co., Ltd.	4,000,000	14,466,840	13,541,271	925,568	1,314,827	(2,806,435)	(2,849,792)	(7.12)
10. China Pacific Laundry Services Ltd.	250,000	387,942	219,426	168,516	139,395	(60,061)	(48,966)	(1.96)
11. Taiwan Air Cargo Terminal Ltd.	2,500,000	5,512,863	2,196,566	3,316,297	2,949,975	829,222	656,496	2.63
12. Kaohsiung Airport Catering Services Ltd.	400,500	1,300,906	742,336	558,569	1,329,950	(129,575)	(54,166)	(1.35)
12A Delica International Co., Ltd.	20,000	14,991	219	14,772	0	(677)	(668)	(0.334)
13. China Pacific Catering Services Ltd.	861,000	2,920,477	2,041,611	878,866	895,936	(266,139)	(204,628)	(2.38)
14. NORDAM Asia Ltd.	77,500	544,642	505,466	39,176	51,037	(15,768)	(19,672)	(2.54)
15. Taoyuan International Airport Services Co., Ltd.	700,000	2,012,347	1,145,966	866,381	2,107,662	(635,115)	(528,051)	(7.54)
16. Taiwan Airport Service Co., Ltd.	435,600	1,147,909	930,917	216,992	331,523	(212,796)	(130,157)	(2.99)
16A Taiwan Airport Service (Samoa) Co., Ltd.	180,275	99,805	0	99,805	0	0	6,306	1.07
17. Global Sky Express Ltd.	10,000	42,986	9,961	33,025	211,339	12,863	10,305	10.31

Note 1: Capital, total assets, total liabilities, total equity were calculated using the exchange rate at the end of 2022.

Note 2: Operating revenue, operating profit, and income for the period were calculated using the 2022 average exchange rates.

Note 3: Exchange rates at the end of 2022 were 1TWD=0.0326USD, 0.2266 CNY.

Note 4: Exchanged rates at the average of 2022 were 1TWD=0.0338USD, 0.2266CNY.

(2) Affiliated Companies' Consolidated Financial Statements: Information requiring disclosure regarding affiliated companies' consolidated financial statements is included in Appendix 1 Consolidated Financial Statements. The Company will no longer prepare a separate consolidated financial statement for affiliated companies.

(3) Relationship Report: China Airlines is not the subsidiary of any company, and therefore, a relationship report is not required.

8.2 Private Placement Securities in the Most Recent Years: None.

8.3 Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years:

Apr. 2, 2023
Units: NT\$; shares; %

Company	Capital	Source of Funds	Stake in Subsidiary (%)	Date of Acquisition or Disposal	Number of Shares and Value of Stocks Acquired	Number of Shares and Value of Stocks Disposed	Investment Gain/Loss	Number of Shares and Value of Stock Held as of the Publication Date of this Report	Amount of Company Endorsement /Guarantee of Subsidiary
Mandarin Airlines, Ltd.	4,000,000,000	Equity Fund	96.96%	-	-	-	-	2,074,628 shares NT\$40,455,000	-

Note: No subsidiary has a company stock pledge nor has the Company lent money to any subsidiary.

8.4 Special Notes: None.

8.5 Matters Having Major Impact on Shareholder Equity or Share Prices:

8.5.1 Signing of Major Memoranda, Strategic Alliances or Other Plans for Business Cooperation or Major Contracts

- A. In order to replace old aircraft with new ones and improve operational efficiency, the Company purchased 4 units of 777F cargo aircraft from Boeing Company of the US on January 27, 2022, and purchased 16 units of 787-9 passenger aircraft on August 30, 2022.
- B. We leased the houses and buildings of the Taichung Office of Mandarin Airlines on August 9, 2022.
- C. In order to meet the needs of aircraft operation, we purchased four 787 backup engines from General Electric Company on November 9, 2022.
- D. We added a lease of land, houses, and buildings with Taiwan Air Cargo Terminal Limited on December 1, 2022.
- E. On November 16, 2021, the Company renewed its housing lease contract with Taiwan Air Cargo Terminal Ltd.
- F. We added a lease of houses and buildings with the Hawaii Resort Hotel on December 30, 2022.
- G. We renewed a lease of land with Taiwan Air Cargo Terminal Limited on December 30, 2022.
- H. We added a lease of houses and buildings with Taiwan Air Cargo Terminal Limited on December 30, 2022.
- I. In order to strengthen the capital structure of the Company's subsidiary Tigerair Taiwan, the board approved the cash capital increase proposal on March 9, 2023.

8.5.2 Other

- A. On March 15, 2022, the Company's board of directors resolved to issue China Airlines' 2022 domestic unsecured ordinary corporate bonds; and on March 9, 2023, the board resolved to issue the Company's domestic unsecured ordinary corporate bonds for 2023. The fundraising and issue of corporate bonds are subject to the approved amount. However, the actual issue amount and conditions of each series will be determined by the Chairman, authorized by the board, according to market conditions.
- B. After the Company received an anonymous ransom email in January 2023, it immediately reported it to the police and notified the competent authority according to the law, and effectively took defensive and contingency measures. The Company continued to observe the overall system operation closely, and cooperated with the police to investigate the incident and clarify the reasons. In addition to continuing to strengthen information security protection and system security management, the Company has commissioned a third-party information security joint defense vendor to conduct a comprehensive review of system security. For outsourced suppliers, the Company also requires them to enhance information security management measures to protect the security of data storage and use of the Company.

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2022 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

CHINA AIRLINES, LTD.

By

Hsieh, Su-Chien

March 9, 2023

INDEPENDENT AUDITORS’ REPORT

The Board of Directors and Shareholders
China Airlines, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of China Airlines, Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter in the audit of the Group's consolidated financial statements is stated below:

Recognition of Cargo Revenue

In accordance with IFRS 15 "Revenue from Contracts with Customers", cargo sales are accounted for as cargo revenue after relevant transportation services have been provided. For the year ended December 31, 2022, cargo revenue amounted to NT\$116,249,972 thousand. Refer to Notes 4 and 27 to the accompanying consolidated financial statements for detailed information.

Cargo rates are highly affected by the supply and demand of the market and sales can only be recognized after relevant transportation services are provided. The input, processing and maintenance of freight information on the airway bills involve manual operations. Therefore, we identified the recognition of cargo revenue as a key audit matter.

Our main audit procedures performed included the following:

1. We understood the internal controls related to the recognition of cargo revenue, including manual and automatic controls.
2. We understood and tested the effectiveness of the information system related to the recognition of cargo revenue.
3. We sampled the airway bills, confirmed that cargo rates were consistent with those stated in airway bills, and verified the accuracy of cargo revenue.

Other Matter

We did not audit the financial statements of some subsidiaries which were included in the consolidated financial statements. Such financial statements were audited by other independent auditors, and our audit opinion is based solely on the reports of other auditors.

As of December 31, 2022 and 2021, total assets of these subsidiaries amounted to NT\$14,446,840 thousand and NT\$13,453,308 thousand, representing 4.91% and 4.56% of the consolidated total assets, respectively. For the years ended December 31, 2022 and 2021, revenue from these subsidiaries amounted to NT\$824,496 thousand and NT\$90,843 thousand, representing 0.55% and 0.07% of the consolidated total revenue, respectively.

We have also audited the parent company only financial statements of China Airlines, Ltd. as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022		2021	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 31)	\$ 34,980,469	12	\$ 45,269,866	15
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 31)	119,462	2	155,780	5
Financial assets at amortized cost (Notes 4, 9 and 31)	6,218,617	2	13,025,521	5
Financial assets for hedging - current (Notes 4, 6 and 31)	4,051,452	1	4,051,452	1
Notes and accounts receivable - related parties (Notes 31 and 32)	11,146,664	4	13,473,493	5
Other receivables (Notes 4 and 31)	4,849	-	2,348	-
Other receivables (Notes 4 and 31)	963,004	-	752,764	-
Current tax assets (Notes 4 and 28)	5,259	-	59,341	-
Inventories (Notes 4 and 11)	10,775,467	4	8,814,975	3
Non-current assets held for sale (Notes 4, 5 and 12)	-	-	36,719	-
Other current assets (Note 18)	1,596,912	1	692,464	-
Total current assets	69,822,343	24	85,849,590	29
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 31)	123,033	-	67,884	-
Financial assets at amortized cost (Notes 4, 9 and 31)	205,765	-	70,596	-
Investments accounted for using the equity method (Notes 4 and 14)	1,453,244	-	1,555,016	-
Property, plant and equipment (Notes 4, 5, 15 and 33)	128,267,484	44	129,652,046	44
Right-of-use assets (Notes 4 and 5)	50,740,311	19	50,740,311	19
Investment properties (Notes 4 and 16)	2,072,012	1	2,074,531	1
Other intangible assets (Notes 4 and 17)	883,420	-	1,008,992	-
Deferred tax assets (Notes 4, 5 and 28)	8,446,347	3	6,930,978	2
Other non-current assets (Notes 18, 21, 25, 31 and 33)	24,183,218	8	11,469,481	4
Total non-current assets	224,589,850	76	208,871,491	71
TOTAL	\$ 294,412,193	100	\$ 294,721,081	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 19)	\$ 835,090	-	\$ 1,023,090	1
Financial liabilities for hedging - non-current (Notes 4, 21 and 31)	9,983,959	3	8,435,097	3
Accounts payable - related parties (Note 31)	1,357,815	1	1,115,600	-
Accounts payable - related parties (Notes 31 and 32)	317,810	-	130,572	-
Other payables (Notes 22 and 31)	15,207,259	5	14,661,347	5
Current tax liabilities (Notes 4 and 28)	492,415	-	3,054,287	1
Lease liabilities - current (Notes 4 and 21)	3,027,890	1	2,533,452	1
Contract liabilities - current (Notes 4 and 23)	17,409,654	6	3,868,712	1
Provisions - current (Notes 4 and 24)	2,500,000	1	2,524,000	1
Current portion of long-term borrowings (Notes 19, 31 and 33)	13,225,516	5	9,324,318	3
Other current liabilities (Note 31)	3,355,958	1	2,408,484	1
Total current liabilities	71,255,078	24	53,239,105	18
NON-CURRENT LIABILITIES				
Financial liabilities for hedging - non-current (Notes 4, 21 and 31)	32,199,102	11	27,839,847	10
Long-term borrowings (Notes 19, 31 and 33)	7,649,674	3	11,125,026	4
Contract liabilities - non-current (Notes 4 and 23)	65,109,050	22	85,069,285	29
Provisions - non-current (Notes 4 and 24)	1,280,906	-	635,633	-
Deferred tax liabilities (Notes 4 and 28)	17,271,121	6	15,406,987	5
Lease liabilities - non-current (Notes 4 and 21)	166,864	-	1,021,553	1
Net defined benefit liabilities - non-current (Notes 4, 5 and 25)	15,439,535	5	12,758,050	4
Other non-current liabilities (Note 31)	2,829,010	3	9,818,537	3
Total non-current liabilities	2,336,251	1	605,861	-
Total liabilities	150,703,673	51	164,276,958	56
Total liabilities	221,958,751	75	217,516,063	74
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 20 and 26)				
Share capital	60,135,374	20	59,413,243	20
Retained earnings	3,120,311	1	2,694,529	1
Legal reserve	925,385	1	925,385	1
Unappropriated retained earnings	6,384,381	2	9,253,848	3
Total retained earnings	7,309,766	3	9,253,848	3
Other equity	(334,375)	-	2,713,828	1
Treasury shares	(30,825)	-	(30,825)	-
Total equity attributable to owners of the Company	70,000,201	24	74,043,573	25
NON-CONTROLLING INTERESTS (Note 26)	2,453,241	1	3,161,445	1
Total equity	72,453,442	24	77,205,018	26
TOTAL	\$ 294,412,193	100	\$ 294,721,081	100

The accompanying notes are an integral part of the consolidated financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Kuan-Hao Lee and Shih-Ran Cheng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 9, 2023

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 27 and 32)	\$ 150,722,471	100	\$ 138,841,403	100
OPERATING COSTS (Notes 4, 10, 11, 17, 24, 25, 27 and 32)	<u>139,352,258</u>	<u>92</u>	<u>115,486,946</u>	<u>83</u>
GROSS PROFIT	11,370,213	8	23,354,457	17
OPERATING EXPENSES (Notes 4, 25, 27 and 32)	<u>8,785,479</u>	<u>6</u>	<u>8,386,422</u>	<u>6</u>
PROFIT FROM OPERATIONS	<u>2,584,734</u>	<u>2</u>	<u>14,968,035</u>	<u>11</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4, 8 and 27)	1,588,586	1	938,526	1
Other gains and losses (Notes 12, 13, 14, 15, 27 and 31)	<u>1,103,071</u>	<u>1</u>	<u>(1,971,093)</u>	<u>(2)</u>
Finance costs (Notes 27 and 31)	<u>(2,540,792)</u>	<u>(2)</u>	<u>(2,407,442)</u>	<u>(2)</u>
Share of the profit of associates and joint ventures (Note 14)	<u>(74,839)</u>	<u>-</u>	<u>(401,421)</u>	<u>-</u>
Total non-operating income and expenses	<u>76,026</u>	<u>-</u>	<u>(3,841,430)</u>	<u>(3)</u>
PROFIT BEFORE INCOME TAX	<u>2,660,760</u>	<u>2</u>	<u>11,126,605</u>	<u>8</u>
INCOME TAX EXPENSE (Notes 4, 5 and 28)	<u>415,359</u>	<u>1</u>	<u>2,169,941</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>2,245,401</u>	<u>1</u>	<u>8,956,664</u>	<u>6</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Gain (loss) on hedging instruments subject to basis adjustment (Notes 4, 26 and 31)	(144,906)	-	(75,214)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income (Note 8)	54,956	-	(95,864)	-
Remeasurement of defined benefit plans (Notes 4 and 25)	355,040	-	(64,137)	-

(Continued)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
Share of the other comprehensive income (loss) of associates and joint ventures accounted for using the equity method (Notes 4 and 14)	\$ 18,070	-	\$ 10,779	-
Income tax related to items that will not be reclassified subsequently to profit or loss (Note 28)	<u>(132,980)</u>	<u>-</u>	<u>26,961</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations (Notes 4 and 26)	<u>147,595</u>	<u>-</u>	<u>18,156</u>	<u>-</u>
Gain on hedging instruments not subject to basis adjustment (Notes 4, 26 and 31)	<u>(4,140,897)</u>	<u>(3)</u>	<u>267,230</u>	<u>-</u>
Income tax related to items that may be reclassified subsequently to profit or loss (Note 28)	<u>799,193</u>	<u>1</u>	<u>(57,330)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(3,043,929)</u>	<u>(2)</u>	<u>30,581</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ (798,528)</u>	<u>(1)</u>	<u>\$ 8,987,245</u>	<u>6</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 2,859,503	2	\$ 9,379,905	7
Non-controlling interests	<u>(614,102)</u>	<u>(1)</u>	<u>(423,241)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME (LOSS)	<u>\$ 2,245,401</u>	<u>1</u>	<u>\$ 8,956,664</u>	<u>6</u>
ATTRIBUTABLE TO:				
Owners of the Company	\$ (292,972)	-	\$ 9,429,042	7
Non-controlling interests	<u>(505,556)</u>	<u>(1)</u>	<u>(441,797)</u>	<u>(1)</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 29)				
Basic	<u>\$ 0.48</u>		<u>\$ 1.67</u>	
Diluted	<u>\$ 0.47</u>		<u>\$ 1.54</u>	

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

CHINA AIRLINES, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company							Non-controlling Interests	Total Equity		
	Share Capital	Capital Surplus	Legal Reserve	Retained Earnings Unappropriated Earnings (Accumulated Deficit)	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Asset at Fair Value Through Other Comprehensive Income	Gain (Loss) on Hedging Instruments			Treasury Shares Held by Subsidiaries	
BALANCE AT JANUARY 1, 2021	\$ 54,209,846	\$ 1,187,327	\$ -	\$ (350,581)	\$ (134,252)	\$ 71,359	\$ 2,606,659	\$ (30,875)	\$ 57,559,483	\$ 3,152,090	\$ 60,711,573
Basis adjustment to gain (loss) on hedging instruments	-	-	-	-	-	-	99,507	-	99,507	-	99,507
Appropriation of 2020 earnings	-	(350,581)	-	350,581	-	-	-	-	-	-	-
Capital surplus used to cover accumulated deficit	-	-	-	-	-	-	-	-	-	-	-
Issuance of employee share options by subsidiaries	-	540	-	-	-	-	-	-	540	126	666
Changes in percentage of ownership interests in subsidiaries	-	-	-	(104,659)	-	-	-	-	(104,659)	575,753	471,114
Net profit (loss) for the year ended December 31, 2021	-	-	-	9,379,905	-	-	-	-	9,379,905	(423,241)	8,956,664
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	(21,418)	14,173	(76,871)	133,253	-	49,137	(18,556)	30,581
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	9,358,487	14,173	(76,871)	133,253	-	9,429,042	(441,797)	8,987,245
Equity component of convertible bonds issued by the Company	-	188,862	-	-	-	-	-	-	188,862	-	188,862
Convertible bonds converted to ordinary shares	5,202,397	1,668,381	-	-	-	-	-	-	6,870,778	-	6,870,778
Cash dividends distributed to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	-	(124,727)	(124,727)
BALANCE AT DECEMBER 31, 2021	59,412,243	2,694,529	-	9,253,848	(120,079)	(5,512)	2,839,419	(30,875)	74,043,573	3,161,445	77,205,018
Basis adjustment to gain (loss) on hedging instruments	-	-	-	-	-	-	100,687	-	100,687	-	100,687
Appropriation of 2021 earnings	-	-	925,385	(925,385)	-	-	-	-	-	-	-
Legal reserve	-	-	-	(5,000,000)	-	-	-	-	(5,000,000)	-	(5,000,000)
Cash dividends - \$0.83145736 per share	-	-	-	-	-	-	-	-	-	-	-
Changes in capital surplus from dividends to subsidiaries	-	1,725	-	-	-	-	-	-	1,725	-	1,725
Net profit (loss) for the year ended December 31, 2022	-	-	-	2,859,503	-	-	-	-	2,859,503	(614,102)	2,245,401
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	196,415	115,781	46,430	(3,511,101)	-	(3,152,475)	108,546	(3,043,929)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	3,055,918	115,781	46,430	(3,511,101)	-	(292,972)	(505,556)	(798,528)
Convertible bonds converted to ordinary shares	723,131	424,050	-	-	-	-	-	-	1,147,181	-	1,147,181
Cash dividends distributed to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	-	(202,650)	(202,650)
Others	-	7	-	-	-	-	-	-	7	2	9
BALANCE AT DECEMBER 31, 2022	\$ 60,135,374	\$ 3,120,311	\$ 925,385	\$ 6,384,381	\$ (4,298)	\$ 40,918	\$ (570,995)	\$ (30,875)	\$ 70,000,201	\$ 2,453,241	\$ 72,453,442

The accompanying notes are an integral part of the consolidated financial statements.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,660,760	\$ 11,126,605
Adjustments for:		
Depreciation expense	30,103,942	29,728,248
Amortization expense	223,096	221,459
Expected credit loss recognized on trade receivables	38,474	38,376
Net gain on fair value changes of financial assets and liabilities at fair value through profit or loss	(365)	(186)
Dividend income	(639,845)	(156,339)
Share of loss (profit) of associates and joint ventures	(12,666)	(12,220)
(Gain) loss on disposal of property, plant and equipment	74,839	401,421
Gain on disposal of non-current assets held for sale	(30,006)	933,151
Loss on disposal of investments	(558,477)	-
Impairment loss recognized on property, plant, equipment	1,641	540
Loss on inventories and property, plant and equipment	605,466	1,486,792
Net loss (gain) on foreign currency exchange	2,285,096	(1,108,112)
Compensation costs of employee share options	-	666
Finance costs	2,540,792	2,407,442
Impairment loss recognized on investments accounted for using the equity method	-	59,901
Impairment loss recognized on intangible assets	-	143,043
Recognition of provisions	5,209,904	6,435,015
Loss on sale and leaseback transactions	-	342,080
Others	84,435	(3,321)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	36,993	119,424
Notes and accounts receivable	2,391,598	(3,956,141)
Accounts receivable - related parties	68,142	(90,695)
Other receivables	(186,284)	133,762
Inventories	(2,287,180)	(840,170)
Other current assets	(1,018,961)	79,366
Notes and accounts payable	365,095	(127,647)
Accounts payable - related parties	124,409	89,079
Other payables	644,258	6,366,239
Contract liabilities	14,186,269	(825,952)
Provisions	(4,306,337)	(2,042,423)
Other current liabilities	1,044,042	1,371,927
Defined benefit liabilities	(282,784)	15,799
Other liabilities	73,722	2,739
Cash generated from operations	53,440,068	52,380,835
Interest received	635,372	153,976
Dividends received	76,513	24,840
	<u>76,513</u>	<u>24,840</u>
		(Continued)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)**

	2022	2021
Interest paid	\$ (2,680,263)	\$ (2,389,939)
Income tax paid	<u>(4,622,949)</u>	<u>(284,312)</u>
Net cash generated from operating activities	<u>46,848,741</u>	<u>49,885,400</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(6,923,725)	(13,371,713)
Proceeds from sale of financial assets at amortized cost	13,573,488	7,248,501
Purchase of financial assets for hedging	(9,535,604)	(7,126,515)
Proceeds from sale of financial assets for hedging	9,063,037	11,110,497
Proceeds from disposal of non-current assets held for sale	679,951	-
Payments for property, plant and equipment	(2,568,507)	(2,477,191)
Proceeds from disposal of property, plant and equipment	41,219	595,447
Increase in refundable deposits	(347,149)	(102,544)
Decrease in refundable deposits	490,711	136,943
Increase in prepayments for equipment	(24,393,851)	(12,249,495)
Payments for other intangible assets	(151,010)	(203,116)
Increase in restricted assets	(109,994)	(226,905)
Net cash inflow on disposal of subsidiaries	942	-
Net cash used in investing activities	<u>(20,181,434)</u>	<u>(16,665,149)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(1,097,000)	-
Decrease in short-term bill payable	-	(8,088,882)
Proceeds from issuance of bonds payable	-	4,500,000
Repayments of bonds payable	(2,525,200)	(6,300,000)
Proceeds from long-term borrowings	7,634,984	43,968,069
Repayments of long-term borrowings	(23,694,020)	(42,097,170)
Repayments of the principal portion of lease liabilities	(11,870,422)	(10,466,575)
Proceeds from guarantee deposits received	165,176	328,432
Refund of guarantee deposits received	(97,801)	(267,618)
Proceeds from sale and leaseback transactions	-	2,810,098
Proceeds from issuance of ordinary shares of subsidiaries	-	471,114
Dividends paid	(4,998,275)	-
Others	9	-
Cash dividends paid to non-controlling interests	(202,650)	(124,727)
Net cash used in financing activities	<u>(36,685,199)</u>	<u>(15,267,259)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(271,505)</u>	<u>190,937</u>
		(Continued)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (10,289,397)	\$ 18,143,929
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>45,269,866</u>	<u>27,125,937</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 34,980,469</u>	<u>\$ 45,269,866</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

China Airlines, Ltd. (the "Company") was founded in 1959 and its shares have been listed on the Taiwan Stock Exchange since February 26, 1993. The Company is primarily involved in (a) air transport services for passengers, cargo and mail; (b) ground services and routine aircraft maintenance; (c) major maintenance of flight equipment; (d) communications and data processing services to other airlines; (e) the sale of aircraft parts, equipment and the entire aircraft; and (f) leasing of aircraft.

The major shareholders of the Company are China Aviation Development Foundation (CADF) and National Development Fund (NDF), Executive Yuan. As of December 31, 2022 and 2021, CADF and NDF held a combined 39.69% and 40.17%, respectively of the Company's shares.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") were approved by the Company's board of directors on March 9, 2023.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group's accounting policies.

b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that will occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occurred on or after January 1, 2022.

The application of new IFRSs endorsed by the FSC for application starting from 2023 would not have any material impact on the Group's accounting policies. As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact of the application of other standards and interpretations on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- c. Level 3 inputs are unobservable inputs for an asset or liability.

Current and Non-current Assets and Liabilities

Current assets include:

- Assets held primarily for the purpose of trading;
 - Assets expected to be realized within 12 months after the reporting period; and
 - Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.
- Current liabilities include:
- Liabilities held primarily for the purpose of trading;
 - Liabilities due to be settled within 12 months after the reporting period; and
 - Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Group directly disposed of the related assets or liabilities.

Foreign Currencies

In preparing the consolidated financial statements of the Group, the transactions in currencies other than the Company's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for exchange differences on:

- a. Foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- b. Transactions entered into in order to hedge certain foreign currency risks.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Business Combinations

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

When a business combination is achieved in stages, the Group's previously held equity interest in an acquiree is remeasured to fair value at the acquisition date, and the resulting gain or loss is recognized in profit or loss or other comprehensive income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are recognized on the same basis as would be required had those interests been directly disposed of by the Group.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

Inventories

Inventories are primarily expendable and nonexpendable parts and materials, supplies used in operations and items for in-flight sales and are stated at the lower of cost or net realizable value. The costs of inventories sold or consumed are determined using the weighted-average method.

Non-current Assets Held for Sale

Non-current assets are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. A joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement and the rights to the net assets of the arrangement.

The Group uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, investments in an associate and a joint venture are initially recognized at cost and adjusted thereafter to recognize the Group's share of profit or loss and other comprehensive income of the associate and joint venture. The Group also recognizes the changes in the Group's share of equity of associates and joint venture attributable to the Group.

Any excess of the cost of acquisition over the Group's share of net fair value of the identifiable assets and liabilities of an associate and a joint venture at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of an associate and a joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate and joint venture. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate and a joint venture equals or exceeds its interest in that associate and joint venture (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate and joint venture), the Group discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate and the joint venture on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Property, Plant and Equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used for more than one period. The cost of an item of property, plant and equipment shall be recognized as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group; and the cost of the item can be measured reliably. Property, plant and equipment are stated at cost less recognized accumulated depreciation and recognized accumulated impairment loss.

Freehold land is not depreciated.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period. The impact of any changes in accounting estimates is accounted for on a prospective basis under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Investment Properties

Investment properties are properties held to earn rentals or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method, which is the amount of cost less residual value divided by the useful life of the investment property.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period. The residual value of an intangible asset with a finite useful life shall be assumed zero unless the Group expects to dispose of the intangible asset before the end of its economic life. The impact of any changes in accounting estimates is accounted for on a prospective basis under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis; otherwise, corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent allocation basis.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the Group uses the estimated cash flows discounted by the future pre-tax discount rate, and the discount rate reflects the current market time value of money and the specific risks to the asset for estimated future cash flows not yet adjusting to the market.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

a. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. All regular way purchases or sales of financial assets are buy or sell of financial assets in the period set by regulation or market convention.

1) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value, and any remeasurement gains or losses on such financial assets are recognized in profit or loss. Fair value is determined in the manner described in Note 31.

b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i. The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables, other receivables and other financial assets, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

c) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if an equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of an investment.

2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), as well as contract assets.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables and other receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represents the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

3) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss.

b. Equity instruments

Equity instruments issued by the Group are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

c. Financial liabilities

1) Subsequent measurement

Except for derivative financial instruments, all financial liabilities are measured at amortized cost using the effective interest method.

2) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

d. Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

e. Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate, foreign exchange rate and fuel price risks, including foreign exchange forward contracts, interest rate swaps, currency options, fuel options and swap.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Hedge Accounting

The Group designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as cash flow hedges. When entering into hedging transactions, the Group has prepared official documents that describe the hedging relationship between hedging instruments and items which have been hedged, the objective of risk management, the hedging strategy, and the way to evaluate the effectiveness of the hedging instrument.

The effective portion of gains and losses on derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gains or losses relating to the ineffective portion are recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as reclassification adjustments in the line items relating to the hedged item in the same period in which the hedged item affects profit or loss. If a hedge of a forecasted transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and included in the initial cost of the non-financial asset or non-financial liability.

The Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period (in which the hedge was effective) remains separately in equity until the forecasted transaction occurs. When a forecasted transaction is no longer expected to occur, the gains or losses accumulated in equity are recognized immediately in profit or loss.

Provisions

The Group recognizes provisions when the Group has a present obligation (legal or constructive obligation) arising from past events, the payment for the obligation is probable, and the expenditure for settling the obligation can be reliably estimated.

The amount recognized as a provision is measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured at the estimate of using the cash flows to settle the present obligation, its carrying amount is the present value of those cash flows. When the aircraft lease contracts expire and the leased item will be returned to the lessor, the Group will assess if there are existing obligations exist and if a provision is required to be recognized when signing the lease contract.

Revenue Recognition

When applying IFRS 15 during 2018, the Group recognizes revenue by applying the following steps:

- Identifying the contract with the customer;
- Identifying the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the Group satisfies a performance obligation.

Shipping service revenue

Passenger and cargo revenue are recognized as revenue when the passengers and goods are actually carried. When the tickets are sold, due to the fact that the fulfillment of performance obligations of the shipment have not been met, the relevant amount of revenue is initially recorded as contract liabilities until passengers actually board.

Leasing

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Group by the end of the lease terms or if the costs of right-of-use assets reflect that the Group will exercise a purchase option, the Group depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

The Group negotiates with the lessor for rent concessions as a direct consequence of Covid-19 to change the lease payments originally due by June 30, 2022, which results in the revised consideration for the lease substantially the same as, or less than, the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to rent concessions for the abovementioned lease contracts, and therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss in the period in which the events or conditions that trigger the concession occurs and makes a corresponding adjustment to the lease liability.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

For sale and leaseback transactions, if the transfer of an asset satisfies the requirements of IFRS 15 to be accounted for as a sale, the Group recognizes only the amount of any gain or loss which relates to the rights transferred to the buyer-lessor, and adjusts the off-market terms to measure the sale proceeds at fair value. If the transfer does not satisfy the requirements of IFRS 15 to be accounted for as a sale, it is accounted for as a financing transaction.

Employee Benefits

- a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

b. Retirement benefits

Payments to the defined contribution retirement benefit plan are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined retirement benefit plan are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs that the grants intend to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

Frequent Flyer Programs

The Group has a "Dynasty Flyer Program" through which program members can convert accumulated mileage to a cabin upgrade, free tickets and other member rewards and operates a "Tigerclub Member Privilege Program" to provide members with accumulated ticket reward bonuses, which can be used to offset the payments for airfare, luggage fees, priority check-ins, and ordering of meals in flight cabins. A portion of passenger revenue attributable to the rewards for the frequent flyer program is deferred. The Group should recognize this deferred revenue as revenue only when the Group has fulfilled its obligations on the granting of rewards or when the period for converting the mileage to rewards has expired.

Share-based Payment Arrangements

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instrument that will eventually vest, with a corresponding increase in capital surplus - employee share options. The fair value determined at the grant date of the equity-settled share-based payments is recognized as an expense in full at the grant date when the granted share options are vested immediately.

Income Tax

Income tax expense represents the sum of the current tax and deferred tax.

a. Current tax

The current tax liabilities are based on current taxable profit. Since part of the income and expenses are taxable or deductible in other periods, or in accordance with the relevant tax laws are taxable or deductible, current taxable profit differs from net profit reported in the consolidated statements of comprehensive income. The Group's current tax liabilities are calculated by the tax rate was legislated or substantially legislated at the balance sheet date.

According to the Income Tax Act in the R.O.C Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve the retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profit against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

Maintenance and Overhaul Costs

Routine maintenance costs are recognized in profit or loss in the period in which they are incurred.

The overhaul costs of an owned or leased aircraft that meet the criteria for fixed asset capitalization are capitalized as replacements for aircraft and engines and are depreciated on a straight-line basis over the expected annual overhaul cycle.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies as disclosed in Note 4, management is required to make judgments, estimations and assumptions on the carrying amounts that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the possible impact of the recent development of the COVID-19 and its economic environment implications when making its critical accounting estimates on cash flows, growth rates, discount rates, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Defined Benefit Obligations

The present value of defined benefit obligations at the end of the reporting period is calculated using actuarial assumptions. Those assumptions, which are based on management's judgments and estimates, comprise the discount rate and expected return on plan assets. Changes in actuarial assumptions may have a material impact on the amount of defined benefit obligations.

Useful Lives of Property, Plant and Equipment - Flight Equipment

Flight equipments are measured at cost less residual value and are depreciated on a straight-line basis over their estimated useful lives. The estimated useful lives and residual values are evaluated based on the Company's historical experience and current usage condition in the aviation industry. Because of the change in fleet planning, the Company's board of directors resolved to modify the estimated useful life of fourteen B747-400F freighters from 25 years to 24 years and the estimated useful lives of three A330-300 aircraft from 20 years to 18 years, effective on January 1, 2022, in order to match the economic benefits with the useful lives. It is estimated that the depreciation expense in 2022 will have increased by \$720 million.

6. CASH AND CASH EQUIVALENTS

	December 31	2021
	2022	
Cash on hand and revolving funds	\$ 599,368	\$ 294,026
Checking accounts and demand deposits	8,001,937	28,507,427
Cash equivalents	20,620,078	11,347,326
Time deposits with original maturities of less than three months	<u>5,759,086</u>	<u>5,121,087</u>
Repurchase agreements collateralized by bonds	<u>\$ 34,980,469</u>	<u>\$ 45,269,866</u>

The market rate intervals of cash in banks and cash equivalents at the end of the reporting period were as follows:

	December 31	2021
	2022	
Bank balance	0%-1.00%	0%-1.9%
Time deposits with original maturities of less than three months	0.33%-4.95%	0.07%-0.41%
Repurchase agreements collateralized by bonds	0.58%-4.70%	0.20%-0.45%

The Group designated some deposits denominated in USD and repurchase agreements collateralized by bonds as hedging instruments to avoid exchange rate fluctuations on final payments of aircraft orders and prepayments for equipment, and applied cash flow hedge accounting to hedge its foreign exchange exposure. The contract information is as follows:

	Maturity Date	Subject	Carrying Value
December 31, 2022	2023.1.3-2023.1.18	Financial assets for hedging - current	\$ 3,987,730
December 31, 2021	2022.2.7-2022.2.14	Financial assets for hedging - current	3,545,706

Impact on comprehensive income (loss)

	Recognized in Other Comprehensive Income (Loss)
For the year ended December 31, 2022	\$ (40,217)
For the year ended December 31, 2021	(75,214)

For the years ended December 31, 2022 and 2021, the amounts of hedging instrument settlements recognized as prepayments for equipment were \$101,626 thousand and \$99,507 thousand, respectively.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	December 31	2021
	2022	
Financial assets - current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets	<u>\$ 119,462</u>	<u>\$ 155,780</u>
Beneficiary certificates		

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI)

Investments in Equity Instruments

	December 31	2021
	2022	
Non-current		
Foreign investments		
Unlisted shares	\$ 81,905	\$ 39,080
Domestic investments		
Unlisted shares	<u>41,128</u>	<u>28,804</u>
	<u>\$ 123,033</u>	<u>\$ 67,884</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium- to long-term strategic purposes and are expected to profit through long-term investments. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair values in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	2021
	2022	
Current		
Time deposits with original maturities of more than 3 months	\$ 6,218,617	\$ 13,027,969
Government bonds	<u>552</u>	<u>552</u>
	<u>\$ 6,218,617</u>	<u>\$ 13,028,521</u>
Non-current		
Time deposits with original maturities of more than 1 year	<u>\$ 205,765</u>	<u>\$ 70,596</u>

The range of interest rates for time deposits with original maturities of more than 3 months was 0.45%-5.05% and 0.21%-1.05% per annum as of December 31, 2022 and 2021, respectively.

10. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31	2021
	2022	
<u>Notes receivable</u>	\$ 72,435	\$ 1,547
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	11,315,652	13,707,506
Less: Allowance for impairment loss	(261,445)	(235,560)
	<u>11,054,207</u>	<u>13,471,946</u>
	<u>\$ 11,126,642</u>	<u>\$ 13,473,493</u>

The average credit period was 7 to 55 days. In determining the recoverability of an accounts receivable, the Group considered any change in the credit quality of the receivable since the date credit was initially granted to the end of the reporting period, and any allowance for impairment loss was based on the estimated irrecoverable amounts determined by reference to the Group's past default experience with the counterparty and an analysis of the counterparty's current financial position. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from independent rating agencies where available or, if not available, the Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group applies the simplified approach to allowing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss allowance for all accounts receivable. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience with the debtors and an analysis of the debtors' current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the loss allowance based on the past due status is not further distinguished according to the different segments of the Group's customer base.

The Group writes off accounts receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Group continues to engage in enforcement activity to attempt to recover the past due receivables. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of accounts receivable based on the Group's provision matrix.

	<u>December 31, 2022</u>					Total
	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	Over 90 Days Past Due	
Expected credit loss rate	1.04%	7.66%	11.02%	46.42%	99.29%	
Gross carrying amount	\$ 11,076,632	\$ 82,406	\$ 16,704	\$ 517	\$ 139,393	\$ 11,315,652
Loss allowance (lifetime ECLs)	(114,644)	(6,315)	(1,841)	(240)	(138,405)	(261,445)
Amortized cost	<u>\$ 10,961,988</u>	<u>\$ 76,091</u>	<u>\$ 14,863</u>	<u>\$ 277</u>	<u>\$ 988</u>	<u>\$ 11,054,207</u>
	<u>December 31, 2021</u>					Total
	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	Over 90 Days Past Due	
Expected credit loss rate	0.56%	6.79%	20.75%	99.92%	99.99%	
Gross carrying amount	\$ 13,481,446	\$ 61,988	\$ 9,884	\$ 2,499	\$ 151,689	\$ 13,707,506
Loss allowance (lifetime ECLs)	(75,114)	(4,211)	(2,051)	(2,497)	(151,687)	(235,560)
Amortized cost	<u>\$ 13,406,332</u>	<u>\$ 57,777</u>	<u>\$ 7,833</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 13,471,946</u>

The movements of the loss allowance of accounts receivable were as follows:

	<u>For the Year Ended December 31</u>	
	2022	2021
Balance at January 1	\$ 235,560	\$ 206,152
Add: Net remeasurement of loss allowance	38,474	38,376
Add: Amounts recovered	208	565
Less: Amounts written off	(12,812)	(9,531)
Foreign exchange gains and losses	<u>15</u>	<u>(2)</u>
Balance at December 31	<u>\$ 261,445</u>	<u>\$ 235,560</u>

11. INVENTORIES

	<u>December 31</u>	
	2022	2021
Aircraft spare parts	\$ 9,756,141	\$ 7,603,809
Items for in-flight sale	625,959	621,181
Work in process - maintenance services	301,368	534,073
Others	<u>91,999</u>	<u>55,912</u>
	<u>\$ 10,775,467</u>	<u>\$ 8,814,975</u>

The operating costs for the years ended December 31, 2022 and 2021 included losses from inventory write-downs of \$286,742 thousand and \$85,834 thousand, respectively.

12. NON-CURRENT ASSETS HELD FOR SALE

	December 31	2021
	2022	

Aircraft held for sale \$ - \$ 36,719

To enhance its competitiveness, the Company plans to introduce new aircraft and retire old aircraft according to a planned schedule. Such aircraft, classified as non-current assets held for sale, had an original carrying amount which was higher than the expected sale price and which was recognized as an impairment loss, and would be continuously assessed whether there are further impairments in subsequent periods. However, the actual loss shall be identified by the actual sale price.

The fair value measurement is classified as Level 3, and the fair value was determined according to similar transactions of the related markets and the proposed sale prices were based on the current status of the aircraft.

The Company disposed of the aircraft held for sale in 2022 and recognized a gain of \$558,477 thousand.

13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follow:

Investor Company	Investee Company	Main Businesses and Products	Proportion of Ownership (%)	
			December 31, 2022	2021
China Airlines, Ltd.	Tigerair Taiwan Co., Ltd. (Note)	Air transportation	82	82
	Taiwan Aircraft Maintenance And Engineering Co., Ltd.	Aircraft maintenance	100	100
	CAL-Dynasty International	A holding company, real estate and hotel services	100	100
	CAL-Asia Investment	General investment	100	100
	Dynasty Aerotech International Corp.	Cleaning of aircraft and maintenance of machine and equipment	100	100
	Cal Park	Real estate lease and international trade	100	100
	Cal Hotel Co., Ltd.	Hotel business	100	100
	Sabre Travel Network (Taiwan)	Sale and maintenance of hardware and software	94	94
	Mandarin Airlines	Air transportation and maintenance of aircraft	97	97
	Taiwan Air Cargo Terminal (Note)	Air cargo and storage	59	59
	Kaohsiung Catering Services, Ltd.	In-flight catering	54	54
	Taoyuan International Airport Services	Airport services	49	49
	Taiwan Airport Services (Note)	Airport services	48	48
	Global Sky Express	Forwarding and storage of air cargo	25	25
Dynasty Properties Co., Ltd.	Real estate management	100	100	
Dynasty Hotel of Hawaii, Inc.	Hotel business	100	100	
Taiwan Airport Services	Taiwan Airport Service (Samoa) Airport supporting service and investment	100	100	

Note: Proportion of ownership is considered from the perspective of the Group.

The Company has control over Taoyuan International Airport Service, Taiwan Airport Service and Global Sky Express despite its ownership of less than 50%, and owns more than 50% of voting shares in other subsidiaries. The above financial information of the subsidiaries for the years ended December 31, 2022 and 2021 was reported according to financial statements that were audited by independent auditors.

Tigerair Taiwan Co., Ltd. planned to issue ordinary shares for cash to meet the needs for funds. The board of directors of the Company approved the plan to issue ordinary shares for cash at \$25 per share on August 5, 2021. The Company subscribed for 101,212 thousand shares in September 2021. The proportion of ownership of the Group increased to 82%. Because the shares were subscribed at a percentage different from its existing ownership percentage, the Company's retained earnings decreased by \$54,449 thousand.

To strengthen the capital structure of Tigerair Taiwan Co., Ltd. the board of directors of the Company resolved the plan to issue ordinary shares for cash on February 13, 2023. The Company planned to issue 36,000 thousand shares, at \$25 per share. The total new shares of 85% to be issued will be subscribed by the original shareholders in proportion to their shareholdings as stated in the register of shareholders on the basis of the share options.

In addition, Tigerair Taiwan Co., Ltd. applied for a listing on the Taiwan Innovation Board of the Taiwan Stock Exchange on December 21, 2022. The board of directors of the Taiwan Stock Exchange reviewed the listing application on February 21, 2023. The result of the review was approved and it will be reported to the competent authority.

To strengthen the capital structure of Mandarin Airlines, the board of directors of the Company approved the plan to issue ordinary shares for cash at \$10 per share on August 26, 2021. The Company subscribed for 199,677 thousand shares in September 2021. The proportion of ownership of the Group increased to 97%. Because the shares were subscribed at a percentage different from its existing ownership percentage, the Company's retained earnings decreased by \$50,190 thousand.

In November 2022, Taiwan Aircraft Maintenance and Engineering Co., Ltd. made up a loss of \$140,000 thousand by capital reduction; the proportion of ownership of the Company remained unchanged.

In December 2022, Cal Hotel Co., Ltd. made up a loss of \$130,200 thousand by capital reduction; the proportion of ownership of the Company remained unchanged.

The liquidation of Yestrip Co., Ltd. was completed on April 22, 2021, and the Company recognized a liquidation loss of \$540 thousand.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	2021
	2022	
Investments in associates	\$ 885,608	\$ 864,178
Investments in joint ventures	<u>567,636</u>	<u>690,838</u>
	<u>\$ 1,453,244</u>	<u>\$ 1,555,016</u>

a. The investments in associates were as follows:

	December 31	2021
<u>Unlisted companies</u>		
China Aircraft Services	\$ -	-
Dynasty Holidays	-	-
Airport Air Cargo Terminal (Xiamen)	518,715	513,059
Airport Air Cargo Service (Xiamen)	309,705	298,971
Eastern United International Logistics (Holdings) Ltd. (Hong Kong)	<u>57,188</u>	<u>52,148</u>
	<u>\$ 885,608</u>	<u>\$ 864,178</u>

At the end of the reporting period, the proportion of ownership and voting rights in associates held by the Group were as follows:

	Proportion of Ownership and Voting Rights	
	December 31	2021
Name of Associate		
China Aircraft Services	-	20%
Dynasty Holidays	20%	20%
Airport air Cargo Terminal (Xiamen)	28%	28%
Airport air Cargo Service (Xiamen)	28%	28%
Eastern United International Logistics (Holdings) Ltd. (Hong Kong)	35%	35%

The investment loss (gain) recognized for associates accounted for using the equity method was as follows:

	For the Year Ended December 31	
	2022	2021
China Aircraft Services	\$ -	\$ (269,573)
Dynasty Holidays	-	(1,436)
Airport air Cargo Terminal (Xiamen)	23,508	36,534
Airport air Cargo Service (Xiamen)	30,185	28,729
Eastern United International Logistics (Holdings) Ltd. (Hong Kong)	<u>12,572</u>	<u>15,218</u>
	<u>\$ 66,265</u>	<u>\$ (190,528)</u>

The Group's share of other comprehensive income of associates accounted for using the equity method amounted to \$0 for the years ended December 31, 2022 and 2021.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were based on these investees' financial statements which have been audited, for Eastern United International Logistics (Holding) Ltd (Hong Kong). However, the management determined that there would have been no significant adjustments had these investees' financial statements been independently audited.

China Aircraft Services issued ordinary shares to meet the needs for funds in March 2022. The Group did not participate in the subscription, so the proportion of ownership of the Group decreased from 20% to 4% and the Group lost significant influence over China Aircraft Services. Therefore, the investment in China Aircraft Services which was initially classified as investments accounted for using the equity method was reclassified as financial assets at fair value through other comprehensive income since March 2022.

Dynasty Holidays was classified as associate accounted for using the equity method. On May 31, 2022, the provisional shareholders' meeting was held and the shareholders resolved to dissolve Dynasty Holidays, and the liquidation process is in progress in accordance with Japanese regulations.

b. Investments in joint ventures

The investments in joint ventures were as follows:

	December 31	2021
China Pacific Catering Services	\$ 448,222	\$ 533,251
China Pacific Laundry Services	92,684	120,876
NORDAM Asia Ltd.	19,196	28,836
Delica International Co., Ltd.	<u>7,534</u>	<u>7,875</u>
	<u>\$ 567,636</u>	<u>\$ 690,838</u>

At the end of the reporting period, the proportion of ownership and voting rights in joint ventures held by the Group was as follows:

	Proportion of Ownership and Voting Rights	
	December 31	2021
China Pacific Catering Services	51%	51%
China Pacific Laundry Services	55%	55%
NORDAM Asia Ltd.	49%	49%
Delica International Co., Ltd.	51%	51%

The Group entered into a joint venture agreement with the Taikoo Group to invest in China Pacific Catering Services and China Pacific Laundry Services. According to the agreement, both parties have the right to make motion votes on the board of directors, and therefore, the Group does not have control.

To expand the Group's catering business, Kaohsiung Catering entered into a joint venture agreement with a Japanese brand company to invest in Delica International Co., Ltd., with the Japanese brand company having the right to make decisions on operations, and therefore, the Group does not have control.

The investment (loss) gain recognized for joint ventures accounted for using the equity method was as follows:

	2022	2021
China Pacific Catering Services	\$ (104,360)	\$ (172,546)
China Pacific Laundry Services	(26,931)	(29,418)
NORDAM Asia Ltd.	(9,640)	(8,931)
Delica International Co., Ltd.	(173)	2
	<u>\$ (141,104)</u>	<u>\$ (210,893)</u>

The Group's shares of other comprehensive income of joint ventures accounted for using the equity method for the years ended December 31, 2022 and 2021 were \$18,070 thousand and \$10,779 thousand, respectively.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were based on these investees' financial statements which have been audited. However, the management determined that there would have been no significant adjustments had this investee's financial statements been independently audited.

For information on the major businesses and products and the locations of registration for the major business offices of the above entities, refer to Tables 6 and 7 (names, locations, and related information of investees on which the Company exercises significant influence and investment in mainland China) following the notes to the consolidated financial statements.

15. PROPERTY, PLANT AND EQUIPMENT

Cost	Freehold Land	Buildings	Flight Equipment	Others	Total
Balance at January 1, 2021	\$ 955,823	\$ 15,705,635	\$ 282,007,135	\$ 17,058,648	\$ 315,727,241
Additions	-	69,826	1,427,541	949,824	2,447,191
Disposals	-	(18,860)	(46,096,114)	(216,975)	(46,331,949)
Reclassification	-	188,356	10,503,511	(163,693)	10,528,174
Net exchange differences	(12,518)	(23,095)	-	(2,438)	(38,051)
Balance at December 31, 2021	<u>\$ 943,305</u>	<u>\$ 15,921,862</u>	<u>\$ 247,842,073</u>	<u>\$ 17,625,366</u>	<u>\$ 282,332,606</u>
Accumulated depreciation and impairment					
Balance at January 1, 2021	-	\$ (7,121,637)	\$ (155,376,265)	\$ (11,747,645)	\$ (174,245,547)
Depreciation expense	-	(492,225)	(16,321,248)	(887,104)	(17,700,577)
Disposals	-	18,860	39,176,337	207,759	39,402,956
Reclassification	-	-	(136,004)	(1,438)	(137,442)
Net exchange differences	-	12,189	-	2,014	14,203
Impairment losses	-	-	(34,153)	-	(34,153)
Balance at December 31, 2021	-	<u>\$ (7,582,813)</u>	<u>\$ (132,691,333)</u>	<u>\$ (12,426,414)</u>	<u>\$ (152,700,560)</u>
Balance at December 31, 2021, net value	<u>\$ 943,305</u>	<u>\$ 8,339,049</u>	<u>\$ 115,150,740</u>	<u>\$ 5,198,952</u>	<u>\$ 129,632,046</u>

(Continued)

Cost	Freehold Land	Buildings	Flight Equipment	Others	Total
Balance at January 1, 2022	\$ 943,305	\$ 15,921,862	\$ 247,842,073	\$ 17,625,366	\$ 282,332,606
Additions	-	78,007	1,581,677	908,823	2,568,507
Disposals	-	(25,304)	(2,806,062)	(341,614)	(3,372,980)
Reclassification	-	6,349	9,813,832	78,152	9,898,333
Net exchange differences	52,564	97,370	-	10,530	160,464
Balance at December 31, 2022	<u>\$ 995,869</u>	<u>\$ 16,078,284</u>	<u>\$ 256,431,520</u>	<u>\$ 18,281,257</u>	<u>\$ 291,786,930</u>
Accumulated depreciation and impairment					
Balance at January 1, 2022	-	\$ (7,582,813)	\$ (132,691,333)	\$ (12,426,414)	\$ (152,700,560)
Depreciation expense	-	(500,489)	(15,534,520)	(948,487)	(16,983,496)
Disposals	-	25,304	2,486,594	338,035	2,849,933
Reclassification	-	-	3,319,913	551	3,320,464
Net exchange differences	-	(55,163)	-	(9,063)	(64,226)
Impairment losses	-	-	(1,641)	-	(1,641)
Balance at December 31, 2022	-	<u>\$ (8,113,161)</u>	<u>\$ (142,420,987)</u>	<u>\$ (13,045,378)</u>	<u>\$ (163,579,526)</u>
Balance at December 31, 2022, net value	<u>\$ 995,869</u>	<u>\$ 7,965,123</u>	<u>\$ 114,010,533</u>	<u>\$ 5,235,879</u>	<u>\$ 128,207,404</u>

(Concluded)

Reclassification is mainly resulted from the transfer of prepayments for equipment.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the asset as follows:

Building	45-55 years
Main buildings	10-25 years
Others	25 years
Machinery and equipment	3-13 years
Electro-mechanical equipment	3-15 years
Others	5 years
Office equipment	3-5 years
Leasehold improvements	3-5 years
Building improvements	3-5 years
Others	3-5 years
Assets leased to others	3-5 years
Flight equipment and equipment under finance leases	
Airframes	15-25 years
Aircraft cabins	7-20 years
Engines	10-20 years
Heavy maintenance on aircraft	6-8 years
Engine overhauls	3-10 years
Landing gear overhauls	7-12 years
Repairable spare parts	3-15 years
Leased aircraft improvements	5-12 years

Regarding changes in fleet composition and the retirement schedule, the Group measured the recoverable amount of some flight equipment by deducting the transaction costs from fair value (level 3). The Group recognized an impairment loss on a part of aircraft equipment of \$1,641 thousand and \$34,153 thousand in 2022 and 2021, respectively. The fair value was determined by reference to factors such as the condition of the flight equipment and possible market estimates.

Refer to Note 33 for the carrying amounts of property, plant and equipment and right-of-use assets pledged by the Group.

Based on the particularity of risk in the aviation industry, all of the Group's assets such as aircraft, real estate, and movable property are adequately insured to diversify the potential risk related to operations.

The Group disposed of a portion of flight equipment and recognized a loss of \$950,980 thousand for the three months ended June 30, 2021.

16. INVESTMENT PROPERTIES

	December 31	2021
Carrying amount		
Investment properties	<u>\$ 2,072,012</u>	<u>\$ 2,074,531</u>

The investment properties held by the Group were land located in Nankan and buildings in Taipei, which were all leased to other parties. The buildings are depreciated on a straight-line basis over 55 years.

The fair value of the investment properties held by the Group were both \$2,488,931 thousand as of December 31, 2022 and 2021, respectively. The above fair value valuation was performed by independent qualified professional valuers, and the future income evaluated by management was based on market transactions.

All of the Group's investment properties were held under freehold interest.

	Cost	Accumulated Depreciation	Net Value
Balance at January 1, 2021	\$ 2,082,390	\$ (7,592)	\$ 2,074,798
Depreciation expense	-	<u>(267)</u>	<u>(267)</u>
Balance at December 31, 2021	<u>\$ 2,082,390</u>	<u>\$ (7,859)</u>	<u>\$ 2,074,531</u>
Balance at January 1, 2022	\$ 2,082,390	\$ (7,859)	\$ 2,074,531
Depreciation expense	-	<u>(265)</u>	<u>(265)</u>
Reclassification	<u>(3,160)</u>	<u>906</u>	<u>(2,254)</u>
Balance at December 31, 2022	<u>\$ 2,079,230</u>	<u>\$ (7,218)</u>	<u>\$ 2,072,012</u>

17. OTHER INTANGIBLE ASSETS

	Computer Software Cost	Others	Accumulated Amortization	Net Value
Balance at January 1, 2021	\$ 1,763,644	\$ 186,197	\$ (873,490)	\$ 1,076,351
Additions	117,836	168,280	-	286,116
Reclassification	10,975	-	-	10,975
Amortization expense	-	-	<u>(221,459)</u>	<u>(221,459)</u>
Impairment losses	-	<u>(186,197)</u>	43,154	<u>(143,043)</u>
Disposals	<u>(12,406)</u>	-	12,406	-
Effects of exchange rate changes	-	-	<u>52</u>	<u>52</u>
Balance at December 31, 2021	<u>\$ 1,880,049</u>	<u>\$ 168,280</u>	<u>\$ (1,039,337)</u>	<u>\$ 1,008,992</u>

(Continued)

	Computer Software Cost	Others	Accumulated Amortization	Net Value
Balance at January 1, 2022	\$ 1,880,049	\$ 168,280	\$ (1,039,337)	\$ 1,008,992
Additions	84,609	-	-	84,609
Reclassification	<u>(47,057)</u>	-	59,961	12,904
Amortization expense	-	-	<u>(223,096)</u>	<u>(223,096)</u>
Disposals	<u>(4,197)</u>	-	4,197	-
Effects of exchange rate changes	-	-	<u>11</u>	<u>11</u>
Balance at December 31, 2022	<u>\$ 1,913,404</u>	<u>\$ 168,280</u>	<u>\$ (1,198,264)</u>	<u>\$ 883,420</u>

(Concluded)

The above items of other intangible assets are amortized on a straight-line basis over 2-16 years.

18. OTHER ASSETS

Current

Temporary payments	\$ 243,064	\$ 138,688
Prepayments	991,200	327,140
Restricted assets	13,336	9,562
Others	<u>349,312</u>	<u>217,074</u>

\$ 1,596,912 \$ 692,464

Non-current

Prepayments for aircraft	\$ 18,445,099	\$ 8,624,307
Prepayments - long-term	4,127,308	1,249,389
Refundable deposits	888,831	1,000,457
Restricted assets	689,124	568,247
Other financial assets	14,797	18,497
Others	<u>18,059</u>	<u>8,584</u>

\$ 24,183,218 \$ 11,469,481

The prepayments for aircraft are comprised of prepaid deposits and capitalized interest from the purchase of A321neo, A320neo, B777F and B787-9 aircraft. For details of the contract for the purchase of the aircraft, refer to Note 34.

19. BORROWINGS

a. Short-term borrowings

	December 31	2021
Bank loans - unsecured	<u>\$ 835,000</u>	<u>\$ 1,932,000</u>
Interest rates	1.39%-1.90%	0.90%-1.26%

20. BONDS PAYABLE

	December 31	
	2022	2021
Unsecured corporate bonds first-time issued in 2017	\$ 1,000,000	\$ 1,000,000
Unsecured corporate bonds second-time issued in 2017	-	1,300,000
Unsecured corporate bonds first-time issued in 2018	3,275,000	4,500,000
Unsecured corporate bonds first-time issued in 2019	3,500,000	3,500,000
Convertible bonds - sixth-time issued	-	379,284
Convertible bonds - seventh-time issued	2,224,674	2,970,742
	<u>9,999,674</u>	<u>13,650,026</u>
Less: Current portion and put option of convertible bonds	2,350,000	2,525,000
	<u>\$ 7,649,674</u>	<u>\$ 11,125,026</u>

Related issuance conditions were as follows:

Category	Period	Conditions	Rate (%)
Seven-year private unsecured bonds - issued at par in May 2017; repayable on due date; interest of 1.75% p.a., payable annually	2017.05.19-2024.05.19	Principal repayable on due date; indicator rate; payable annually	1.75
Five-year private unsecured bonds - issued at par in October 2017; repayable in October 2021 and 2022; 1.45% interest p.a., payable annually	2017.10.12-2022.10.12	Principal repayable in October of 2021 and 2022; indicator rate; payable annually	1.45
Five-year private unsecured bonds - issued at par in November 2018; repayable in November 2022 and 2023; 1.32% interest p.a., payable annually	2018.11.30-2023.11.30	Principal repayable in November of 2022 and 2023; indicator rate; payable annually	1.32
Seven-year private unsecured bonds - issued at par in November 2018; repayable in November 2024 and 2025; 1.45% interest p.a., payable annually	2018.11.30-2025.11.30	Principal repayable in November of 2024 and 2025; indicator rate; payable annually	1.45
Five-year private unsecured bonds - issued at par in June 2019; repayable in June 2023 and 2024; 1.10% interest p.a., payable annually	2019.06.21-2024.06.21	Principal repayable in June of 2023 and 2024; indicator rate; payable annually	1.10
Seven-year private unsecured bonds - issued at par in June 2019; repayable in June 2025 and 2026; 1.32% interest p.a., payable annually	2019.06.21-2026.06.21	Principal repayable in June of 2025 and 2026; indicator rate; payable annually	1.32
Five-year convertible bonds - issued at discount in January 2018; repayable in lump sum upon maturity; 1.3821% discount rate p.a.	2018.01.30-2023.01.30	Unless bonds are converted to share capital or redeemed, principal repayable one time in January of 2023; 1.3821 discount rate p.a.	-
Five-year convertible bonds - issued at discount in April 2021; repayable in lump sum upon maturity; 0.8612% discount rate p.a.	2021.4.28-2026.4.28	Unless bonds are converted to share capital or redeemed, principal repayable one time in April of 2026; 0.8612 discount rate p.a.	-

b. Long-term borrowings

	December 31	
	2022	2021
Unsecured bank loans	\$ 21,730,551	\$ 33,248,892
Secured bank loans	35,978,893	35,721,925
Commercial paper	20,670,000	25,450,000
Proceeds from issuance	44,878	27,214
Less: Unamortized discounts	<u>78,334,566</u>	<u>94,393,603</u>
	13,225,516	9,324,318
Less: Current portion	<u>\$ 65,109,050</u>	<u>\$ 85,069,285</u>

Interest rates 0.90%-2.02% 0.81%-1.22%

Secured bank loans are secured by flight equipment, buildings, and other equipment, refer to Note 33.

Bank loans (denominated in New Taiwan dollars) are repayable quarterly, semiannually or in lump sum upon maturity. The related information is summarized as follows:

	December 31	
Periods	2022	2021
	2009.2.4-2034.10.12	2009.2.4-2032.6.30

The Group has note issuance facilities (NIFs) obtained from certain financial institutions. The NIFs, with various maturities until September 2026, were used by the Group to guarantee commercial papers issued. As of December 31, 2022 and 2021, the commercial papers were issued at discount rates of 1.683%-1.9013% and 0.985%-1.097%, respectively.

In accordance with the "Regulations on Relief and Revitalization Measures for Industries and Enterprises Affected by Severe Pneumonia with Novel Pathogens" endorsed by the Ministry of Transportation and Communications and the "Operational Guides on Relief Loan Guarantees for Ailing Aviation Industry Affected by Severe Pneumonia with Novel Pathogens", the Group applied for a special loan project to maintain its operations, and the fund along with subsidized interest rates were provided by the government. The total amount of the loans is \$35,480 million, which shall be repaid within 2 to 4 years from the date of initial drawdown. As of December 31, 2022, the Group had made a drawdown in the amount of \$34,800 million and repaid \$11,920 million of the drawdown.

The Company issued the sixth issue of its unsecured convertible bonds, and the issuance conditions were as follows:

- The holders may demand a lump-sum payment for the bonds upon maturity.
- The holders can request that the Company repurchase their bonds at face value on the third anniversary of the offering date. The holders can exercise the right to sell on January 30, 2021.
- The Company may redeem the bonds at face value between April 30, 2018 and December 20, 2022 under certain conditions. The Company resolved to exercise the right of redemption on January 14, 2022. The reference date of redemption of the bonds is March 9, 2022 and the actual face value of redemption is \$200 thousand.
- Between April 30, 2018 and January 30, 2023 (except for the period between the former dividend date and the date of the dividend declaration on record), holders may convert their bonds into the Company's ordinary shares. The initial conversion price was set at NT\$13.2, which is subject to adjustment if there is a capital injection by cash, share dividend distribution, and the proportion of cash dividends per share in market price exceeding 1.5%. Because the Company distributed cash dividends on July 29, 2019, the conversion price was adjusted to NT\$12.6. As of the reference date of redemption of the bonds which was on March 9, 2022, a total face value of \$5,999,800 thousand of convertible bonds was converted into 476,174 thousand ordinary shares of the Company.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The effective interest rate of the liability component was 1.3821% per annum on initial recognition.

Proceeds from issuance	\$ 6,012,000
Equity component	<u>(409,978)</u>
Liability component at the date of issuance	5,602,022
Interest charged at an effective interest rate	283,207
Convertible bonds converted into ordinary shares	<u>(5,505,945)</u>
Liability component at December 31, 2021	379,284
Interest charged at an effective interest rate	815
Convertible bonds converted into ordinary shares	<u>(379,901)</u>
Redeemed convertible bonds	<u>(198)</u>
Liability component at December 31, 2022	<u>\$ -</u>

The Company issued the seventh issue of its unsecured convertible bonds, and the issuance conditions were as follows:

- The holders may demand a lump-sum payment for the bonds upon maturity.
- The holders can request that the Company repurchase their bonds at face value on the third anniversary of the offering date. The holders can exercise the right to sell on April 28, 2024.
- The Company may redeem the bonds at face value between July 28, 2021 and March 18, 2026 under certain conditions.
- Between July 28, 2021 and April 28, 2026 (except for the period between the former dividend date and the date of the dividend declaration on record), holders may convert their bonds into the Company's ordinary shares. The initial conversion price was set at NT\$19 per share, which is subject to adjustment if there is a capital injection by cash or share dividend distribution. Because the Company distributed cash dividends on July 12, 2022, the conversion price was adjusted to NT\$18.3. As of December 31, 2022, a total face value of \$2,211,200 thousand of convertible bonds was converted into 116,379 thousand ordinary shares of the Company.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The effective interest rate of the liability component was 0.8612% per annum on initial recognition.

Proceeds from issuance	\$ 4,500,000
Equity component	<u>(188,862)</u>
Liability component at the date of issuance	4,311,138
Interest charged at an effective interest rate	24,437
Convertible bonds converted into ordinary shares	<u>(1,364,833)</u>
Liability component at December 31, 2021	2,970,742
Interest charged at an effective interest rate	21,211
Convertible bonds converted into ordinary shares	<u>(767,279)</u>
Liability component at December 31, 2022	<u>\$ 2,224,674</u>

21. LEASE AGREEMENTS

- Right-of-use assets

	December 31	2021
Carrying amounts		
Land	\$ 5,747,477	\$ 6,064,760
Buildings	2,801,527	2,289,375
Flight equipment	50,452,470	47,701,558
Other equipment	<u>13,933</u>	<u>6,274</u>
	<u>\$ 59,015,407</u>	<u>\$ 56,061,967</u>
For Year Ended December 31	2022	2021

Additions to right-of-use assets

	<u>\$ 15,845,881</u>	<u>\$ 10,597,531</u>
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Depreciation for right-of-use assets

Land	\$ 383,378	\$ 376,515
Buildings	274,520	228,489
Flight equipment	12,460,623	11,420,746
Other equipment	<u>1,660</u>	<u>1,654</u>
	<u>\$ 13,120,181</u>	<u>\$ 12,027,404</u>

- Lease liabilities

	December 31	2021
Carrying amounts		
Current	<u>\$ 3,027,890</u>	<u>\$ 2,533,452</u>
Non-current	<u>\$ 15,439,535</u>	<u>\$ 12,758,050</u>

Range of discount rates for lease liabilities (include leases denominated in USD designated as hedging instruments):

	December 31	2021
Land	0%~1.80%	0.81%~2.00%
Buildings	0%~4.65%	0%~2.98%
Flight equipment	0%~3.34%	0.68%~3.34%
Other equipment	0%~1.43%	0%~1.43%

c. Financial liabilities under hedge accounting

The Group specifies a part of aircraft leases denominated in USD as hedging instruments to avoid exchange rate fluctuations in passenger revenue and applies the accounting treatment of cash flow hedging. The lease information is as follows:

	Maturity Date	Subject	Carrying Value
December 31, 2022	2023.2.7-2034.12.31	Financial liabilities for hedging - current	\$ 9,817,440
		Financial liabilities for hedging - non-current	32,183,170
December 31, 2021	2022.2.9-2033.12.12	Financial liabilities for hedging - current	8,434,893
		Financial liabilities for hedging - non-current	27,839,847

Influence of comprehensive income (loss)

	Recognized in Other Comprehensive Income (Loss)	Reclassified to Income
For the year ended December 31, 2022	\$ (4,111,327)	\$ 114,759
For the year ended December 31, 2021	252,250	679,554

d. Material leasing activities and terms

China Airlines, Mandarin Airlines and Tigerair Taiwan leased ten 777-300ER planes, nineteen A330-300 planes, twelve 737-800 planes, ten A320-200 planes, four A320neo planes, ten A321neo planes, one ERJ190 planes and three ART72-600 planes for operation, lease period are 4 to 16 years from February 2007 to December 2034. The rental pricing method is partly a fixed amount of funds, and some of them are floating rents, floating rents are according to benchmark ratio, the rent is revised every half year. When the lease expires, the lease agreements have no purchase rights.

The information of refundable deposits and opening of letter of credit due to rental of planes:

	December 31	2021
Refundable deposits	\$ 553,321	\$ 682,376
Credit guarantees	2,085,941	1,699,376

CAL Park, and Taoyuan International Airport Service signed a BOT contract with a land lease agreement, for the details for the lease agreement, please refer to Note 34. The lease includes an option to extend the lease, as it is not possible to extend the lease, the amount of the lease related to the period covered by the option is not included in the lease liability. If the amount of the extended lease period is included in the lease liability, the lease liability would have increased by \$909,342 thousand on December 31, 2022.

Taiwan Air Cargo Terminal Co. and CAA signed a BOT contract with a land lease agreement. For details, please refer to Note 34.

e. Lease agreement signed but not yet delivered

In October 2019, the Company signed a rental contract for eight A321neo with CALC Lease Corporation, which is expected to be introduced between 2022 and 2024. As of December 31, 2022, four A321neo have been delivered.

In February 2020, Tigerair Taiwan Co., Ltd. signed a rental contract for eight A320neo with ICBC Lease Corporation, which are expected to be delivered between 2021 and 2024. As of December 31, 2022, four A320neo have been delivered.

The Group also signed related aircraft purchase agreement, please refer to Note 34 for details.

f. Sale and leaseback

In order to revitalize assets and strengthen financial structure, the Company signed a sale and leaseback agreement for five A330-300 with CALC Lease Corporation in June 2021 and September 2021. Those aircraft were sold for \$2,810,098 thousand and the Company recognized a loss of \$342,080 thousand. The lease term is 4 years without renewal option or right of first refusal and the annual lease payments for each aircraft are US\$4,200 thousand to US\$4,823 thousand.

g. Aircraft leases

In order to revitalize assets, the Company signed a lease agreement for two 747-400F with US Cargo Company in August 2021 and September 2021. The lease commencement date was on July 15 and October 10, 2022, respectively.

h. Other lease information

The Group uses operating lease agreement for investment properties, refer to Note 16.

	2022	2021
Short-term leases and low-value asset leases	\$ 76,650	\$ 34,858
Total cash outflow for leases	<u>\$ (13,434,898)</u>	<u>\$ (11,921,548)</u>

The Group chooses to waive the recognition of the contract provisions for the short-term leases and low-value asset leases and does not recognize the related right-of-use assets and lease liabilities for such lease.

22. OTHER PAYABLES

Fuel costs
Short-term employee benefits
Repair expenses
Terminal surcharges
Ground service expenses
Interest expenses
Commission expenses
Others

	December 31	2021
	2022	
	\$ 4,715,624	\$ 3,049,812
	4,194,176	5,848,866
	1,518,603	1,580,899
	901,498	716,531
	899,401	778,546
	102,550	83,250
	85,140	149,296
	<u>2,790,267</u>	<u>2,454,147</u>
	\$ 15,207,259	\$ 14,661,347

23. CONTRACT LIABILITIES

Frequent flyer programs
Advance ticket sales

	December 31	2021
	2022	
	\$ 3,185,357	\$ 2,810,482
	<u>15,505,203</u>	<u>1,693,863</u>
	<u>\$ 18,690,560</u>	<u>\$ 4,504,345</u>
	\$ 17,409,654	\$ 3,868,712
	<u>1,280,906</u>	<u>635,633</u>
	<u>\$ 18,690,560</u>	<u>\$ 4,504,345</u>

Current
Non-current

24. PROVISIONS

Operating leases - aircraft

Current
Non-current

	December 31	2021
	2022	
	\$ 20,962,933	\$ 18,654,223
	\$ 3,691,812	\$ 3,247,236
	<u>17,271,121</u>	<u>15,406,987</u>
	<u>\$ 20,962,933</u>	<u>\$ 18,654,223</u>

Aircraft Lease Contracts

Balance at January 1, 2021	\$ 14,534,286
Additional provisions recognized	6,435,015
Usage	(2,042,423)
Unwinding of discounts and effects of changes in the discount rate	(51,678)
Effect of foreign currency exchange differences	<u>(220,977)</u>
Balance at December 31, 2021	<u>\$ 18,654,223</u>
Balance at January 1, 2022	\$ 18,654,223
Additional provisions recognized	5,209,904
Usage	(4,306,337)
Unwinding of discounts and effects of changes in the discount rate	15,956
Effect of foreign currency exchange differences	<u>1,389,187</u>
Balance at December 31, 2022	<u>\$ 20,962,933</u>

The Group leased flight equipment under operating lease agreements. Under the contracts, when the leases expire and the equipment is returned to the lessor, the flight equipment has to be repaired according to the expected years of use, number of flight hours, flight cycles and the number of engine revolution. The Group had existing obligations to recognize provisions when signing a lease or during the lease term. Tigerair Taiwan Co., Ltd. also leased flight equipment under operating lease agreements. In accordance with the contract, Tigerair had to pay the maintenance reserve monthly accounted for by using the actual number of flight hours.

25. AFTER RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Group makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

Employees based in the United States and Japan of China Airlines Co., Ltd. and subsidiaries are members of the United States and Japan government retirement benefit plans. Subsidiaries should appropriate a specific portion to retirement benefit plans. The obligation to the government retirement benefit plans of China Airlines Co., Ltd. and subsidiaries is to appropriate a specific portion amount.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law is operated by the government of the R.O.C. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company and subsidiary contribute amounts equal to 2%-15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	2021
	2022	
Present value of defined benefit obligation	\$ 19,794,148	\$ 19,159,344
Fair value of plan assets	<u>(10,575,834)</u>	<u>(9,346,800)</u>
Deficit	<u>\$ 9,218,314</u>	<u>\$ 9,812,544</u>
Net defined benefit liabilities	<u>\$ 9,229,640</u>	<u>\$ 9,814,737</u>
Net defined benefit assets	<u>\$ 11,326</u>	<u>\$ 2,193</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2021	\$ 18,793,509	\$ (9,053,768)	\$ 9,737,741
Service cost			
Current service cost	1,301,730	-	1,301,730
Past service cost and loss on settlements	581	-	581
Net interest expense (income)	64,228	(31,307)	32,921
Recognized in profit or loss	1,366,539	(31,307)	1,335,232
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(131,974)	(131,974)
Actuarial loss - changes in demographic assumptions	526,399	-	526,399
Actuarial (gain) loss - changes in financial assumptions	(575,703)	-	(575,703)
Actuarial loss - experience adjustments	245,415	-	245,415
Recognized in other comprehensive income	196,111	(131,974)	64,137
Contributions from the employer	-	(1,163,444)	(1,163,444)
Benefits paid	(1,043,124)	1,035,693	(7,431)
Others	(153,691)	-	(153,691)
Balance at December 31, 2021	19,159,344	(9,346,800)	9,812,544
Service cost			
Current service cost	1,203,387	-	1,203,387
Past service cost and loss on settlements	100	-	100
Net interest expense (income)	126,384	(62,469)	63,915
Recognized in profit or loss	1,329,871	(62,469)	1,267,402
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(724,458)	(724,458)
Actuarial loss - changes in demographic assumptions	119	-	119
Actuarial (gain) loss - changes in financial assumptions	(1,010,815)	-	(1,010,815)
Actuarial loss - experience adjustments	1,380,114	-	1,380,114
Recognized in other comprehensive income	369,418	(724,458)	(355,040)

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Contributions from the employer	\$ 49	\$ (1,362,892)	\$ (1,362,843)
Benefits paid	(920,785)	920,785	-
Others	(143,749)	-	(143,749)
Balance at December 31, 2022	<u>\$ 19,794,148</u>	<u>\$ (10,575,834)</u>	<u>\$ 9,218,314</u>

Through the defined benefit plans under the Labor Standards Act, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	2021
	2022	
Discount rate	1.20%-1.50%	0.60%-0.70%
Expected rate of salary increase	1.00%-2.50%	1.00%-2.50%

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	2021
	2022	
Discount rate		
0.25% increase	\$ (394,736)	\$ (419,153)
0.25% decrease	413,748	437,615
Expected rate of salary increase		
0.5% increase	793,878	823,125
0.5% decrease	(754,010)	(783,845)

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Expected contributions to the plan for the next year	<u>\$ 1,031,457</u>	<u>\$ 924,261</u>
Average duration of the defined benefit obligation	7-10 years	7-10 years

26. EQUITY

a. Share capital

Ordinary shares

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Numbers of shares authorized (in thousands of shares)	<u>7,000,000</u>	<u>7,000,000</u>
Amount of shares authorized	<u>\$ 70,000,000</u>	<u>\$ 70,000,000</u>
Amount of shares issued	<u>\$ 60,135,374</u>	<u>\$ 59,412,243</u>

The Company issued the 6th and the 7th domestic unsecured convertible bonds, and the holders of the convertible bonds applied for conversion in the amount of \$1,178,600 thousand and \$7,052,400 thousand, respectively, for the years ended December 31, 2022 and 2021. The number of ordinary shares exchanged was 72,313 thousand and 520,239 thousand, respectively, and entitled to registration change after the issuance of new shares.

b. Capital surplus

May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)

Issuance of convertible bonds in excess of par value and conversion premium	\$ 2,092,431	\$ 1,668,381
Dividend distributed to subsidiaries	1,725	-
Expired equity component of convertible bonds	929,535	869,932

May only be used to offset a deficit (2)

Long-term investments	547	540
May not be used for any purpose	<u>96,073</u>	<u>155,676</u>
Equity component of convertible bonds	<u>\$ 3,120,311</u>	<u>\$ 2,694,529</u>

1) Such capital surplus may be used to offset a deficit; when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions or from changes in the capital surplus of subsidiaries accounted for using the equity method.

c. Appropriation of earnings and dividend policy

Under the Company Act, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which is to distribute dividends and bonus no less than 50% of the remaining profit and undistributed retained earnings. The dividends and bonus mentioned above can be distributed in the form of new shares or cash, and the cash dividends should be no less than 30% of the total dividends. If surplus earnings are distributed in the form of new shares, the distribution of shares shall be resolved in the shareholders' meeting; if such earnings are distributed in the form of cash, the cash distribution shall be authorized after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition, a report of such distribution shall be submitted to the shareholders' meeting. If the Company has no loss, according to laws and regulations, the Company can distribute its capital reserve, in whole or in part, by issuing new shares or cash based on financial, business and management considerations. If such capital reserve is distributed in the form of new shares, it shall be resolved by a meeting of the shareholders; if such capital reserve is distributed in the form of cash, it shall be authorized after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

The distribution of dividends should be resolved and recognized in the shareholders' meeting in the current year.

1) Appropriation of earnings in 2021

The appropriation of earnings in 2021 which was resolved and recognized in the shareholders' meeting on May 26, 2022 is as follows:

	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>
Legal reserve	\$ 925,385	\$ -
Cash dividends	5,000,000	0.83145736

2) Appropriation of earnings in 2022

The appropriation of earnings in 2022, which were proposed by the Company's board of directors on March 9, 2023, were as follows:

	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>
Legal reserve	\$ 305,592	\$ -
Special reserve	534,375	-
Cash dividends	2,772,207	0.46099444

The appropriation of earnings in 2022 is subject to the resolution of the shareholders in their meeting on May 31, 2023.

d. Other equity items

The movement of other equity items is as follows:

	Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Gain (Loss) on Hedging Instruments	Total
Balance at January 1, 2021	\$ (134,252)	\$ 71,359	\$ 2,606,659	\$ 2,543,766
Exchange differences on translation of the financial statements of foreign operations	17,692	-	-	17,692
Cumulative gain (loss) on changes in fair value of hedging instruments	-	-	858,540	858,540
Cumulative gain (loss) on changes in fair value of hedging instruments reclassified to profit or loss	-	-	(667,096)	(667,096)
Unrealized gain on financial assets at FVTOCI	-	(95,864)	-	(95,864)
Effects of income tax	(3,519)	18,993	(58,191)	(42,717)
Other comprehensive income (loss) recognized in the period transferred to initial carrying amount of hedged items	14,713	(76,871)	133,253	70,555
Balance at December 31, 2021	\$ (120,079)	\$ (5,512)	\$ 2,839,419	\$ 2,713,828
Balance at January 1, 2022	\$ (120,079)	\$ (5,512)	\$ 2,839,419	\$ 2,713,828
Exchange differences on translation of the financial statements of foreign operations	144,064	-	-	144,064
Cumulative gain (loss) on changes in fair value of hedging instruments	-	-	(4,066,119)	(4,066,119)
Cumulative gain (loss) on changes in fair value of hedging instruments reclassified to profit or loss	-	-	(219,724)	(219,724)
Unrealized gain on financial assets at FVTOCI	(28,283)	54,956	774,742	737,933
Effects of income tax	-	(8,526)	-	(8,526)
Other comprehensive income (loss) recognized in the period transferred to initial carrying amount of hedged items	115,781	46,430	(3,511,101)	(3,348,890)
Balance at December 31, 2022	\$ (4,298)	\$ 40,918	\$ (570,995)	\$ (534,375)

e. Non-controlling interests

For the Year Ended December 31

	2022	2021
Beginning balance	\$ 3,161,445	\$ 3,152,090
Net profit (loss) attributable to non-controlling interests	(614,102)	(423,241)
Foreign exchange differences	3,531	464
Actuarial gains and losses on defined benefit plans	132,110	(23,895)
Cash flow hedge on changes in fair value of hedging instruments	(5,471)	(614)
Cumulative gain (loss) arising on changes in fair value of hedging instruments reclassified to profit or loss	5,511	1,186
Effect of income tax	(27,135)	4,303
	108,546	(18,556)
Outstanding share options held by employees of subsidiaries	-	126
Change in subsidiaries' equity	-	575,753
Dividends paid by subsidiaries	(202,650)	(124,727)
Others	2	-
Ending balance	\$ 2,453,241	\$ 3,161,445

f. Treasury shares

Treasury shares are the Company's shares held by its subsidiaries as of December 31, 2022 and 2021 were as follows:

	Number of Shares, Beginning of Year	Reduction During the Year	Number of Shares, End of Year
For the year ended December 31, 2022	2,075	-	2,075
For the year ended December 31, 2021	2,075	-	2,075

Period of Treasury Shares	Shares (In Thousands)	Carrying Amount	Market Value
December 31, 2022	2,075	\$ 39,418	\$ 39,418
Mandarin Airlines	2,075	\$ 39,418	\$ 39,418
December 31, 2021	2,075	\$ 57,156	\$ 57,156
Mandarin Airlines	2,075	\$ 57,156	\$ 57,156

The above acquisitions by subsidiaries of the Company's shares in previous years was due to investment planning. The shares of the Company held by its subsidiaries were treated as treasury shares. The subsidiaries can exercise shareholders' right on these treasury shares, except for the right to subscribe for the Company's new shares and voting rights.

	<u>For the Year Ended December 31</u>	<u>2021</u>
Other employee benefits		
Salary expenses	\$ 18,670,644	\$ 20,878,698
Personnel service expenses	<u>5,446,734</u>	<u>5,761,628</u>
	\$ 24,117,378	\$ 26,640,326
An analysis of employee benefits expense by function		
Operating costs	\$ 21,136,884	\$ 23,127,124
Operating expenses	<u>4,768,923</u>	<u>5,368,345</u>
	\$ 25,905,807	\$ 28,495,469
		(Concluded)

According to the Company's articles, the Company accrues compensation of employees at rates of no less than 3% of the net profit before income tax and compensation of employees. When the Company has an accumulated deficit, the Company shall set aside some amounts to offset the deficit in advance. For the years ended December 31, 2022 and 2021, the estimated amount of compensation of employees were \$120,275 thousand and \$366,429 thousand, respectively.

Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date that the annual consolidated financial statements are authorized for issue are adjusted in the year that the compensation and remuneration are recognized. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

Information on the compensation of employees resolved by the Company's board of directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

28. INCOME TAX

- a. Income tax expense recognized in profit or loss

The major components of tax expense were as follows:

	<u>For the Year Ended December 31</u>	<u>2021</u>
Current tax		
Current year	\$ 2,082,931	\$ 3,092,405
Adjustments for prior year	23,594	10,077
Deferred tax		
Current year	(1,677,289)	(938,165)
Adjustments for prior year	<u>(13,874)</u>	<u>5,624</u>
	\$ 415,359	\$ 2,169,941
Income tax expense recognized in profit or loss		

A reconciliation of accounting profit and income tax expense was as follows:

	<u>For the Year Ended December 31</u>	<u>2022</u>	<u>2021</u>
Profit before tax from continuing operations	\$ 2,660,760	\$ 1,111,266,605	
Income tax expense calculated at the statutory rate	\$ 532,152	\$ 2,225,321	
Effect of different tax of subsidiaries	(1,923)	(10,261)	
Effect of adjustments to income tax:			
Non-deductible expenses in determining taxable income	645,034	718,589	
Tax-exempt income	(1,022,734)	(1,307,837)	
Overseas income tax expense	48,129	33,817	
Unrecognized loss carryforwards, investment tax credits and temporary difference	198,694	491,708	
Adjustments for prior years' tax	23,594	10,077	
Adjustments prior years' deferred tax	(13,874)	5,624	
Others	<u>6,287</u>	<u>2,903</u>	
	\$ 415,359	\$ 2,169,941	
Income tax expense recognized in profit or loss			
Income tax recognized in other comprehensive income			

- b.

	<u>For the Year Ended December 31</u>	<u>2022</u>	<u>2021</u>
<u>Deferred tax</u>			
Recognized in other comprehensive income			
Translation of foreign operations	\$ (28,989)	\$ (3,884)	
Fair value changes of financial assets at FVOCI	(8,526)	18,993	
Fair value changes of hedging instruments for cash flow hedging	774,736	(58,305)	
Remeasurement of defined benefit plans	<u>(71,008)</u>	<u>12,827</u>	
	\$ 666,213	\$ (30,369)	
Total income tax recognized in other comprehensive income			

- c.

	<u>For the year ended December 31, 2022</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Exchange Difference</u>	<u>Ending Balance</u>
Beginning Balance				
Recognized in Profit or Loss				
	\$ 1,985,556	\$ (69,107)	\$ -	\$ 1,854,113
Deferred tax assets				
Temporary differences	585,961	65,486	-	651,447
Defined benefit plans	2,468,306	36,470	-	2,504,776
Frequent flyer programs	282,189	14,726	-	296,915
Maintenance reserves	1,018,633	687,897	-	1,706,530
Allowance for reduction of inventories	590,333	826,397	-	1,432,566
Tax losses			34,766	
Others				
	\$ 6,930,978	\$ 1,568,640	\$ 34,766	\$ 8,446,347

(Continued)

<u>Expiry Year</u>	<u>Unused Amount</u>
<u>Kaohsiung Catering Services, Ltd.</u>	
2030	\$ 84,873
2031	191,379
2032	132,869
	<u>\$ 409,121</u>

Taiwan Aircraft Maintenance And Engineering Co., Ltd.

2025	\$ 18,124
2026	31,476
2027	68,415
2028	103,161
2029	206,151
2030	275,075
2031	149,807
2032	109,739
	<u>\$ 961,948</u>
	(Concluded)

e. Income tax assessment

The income tax returns of the Company through 2020 have been examined by the tax authorities. And the income tax returns of the Company's subsidiaries through 2019 have been examined by the tax authorities.

29. EARNING PER SHARE

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Basic earnings per share	<u>\$ 0.48</u>	<u>\$ 1.67</u>
Diluted earnings per share	<u>\$ 0.47</u>	<u>\$ 1.54</u>
Earnings used in the computation of basic earnings per share	\$ 2,859,503	\$ 9,379,905
Effect of potentially dilutive ordinary shares:		
Interest on convertible bonds (after tax)	<u>21,415</u>	<u>72,638</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 2,880,918</u>	<u>\$ 9,452,543</u>
<u>In thousands of shares</u>		
Weighted average number of ordinary shares in computation of basic earnings per share	5,996,406	5,615,684
Effect of potentially dilutive ordinary shares:		
Compensation of employees or bonuses issued to employees	9,155	13,300
Convertible bonds	<u>137,708</u>	<u>512,144</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>6,143,269</u>	<u>6,141,128</u>

The Group may settle compensation or bonuses paid to employees in cash or shares; therefore, the Group assumes the entire amount of the compensation or bonuses will be settled in shares and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

30. CAPITAL MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group comprising issued capital, reserves, retained earnings, other equity and non-controlling interests.

To support operating activities and purchase of aircraft, the Group needs to maintain sufficient capital. Therefore, the goal of capital management is to ensure that financial resources and operating plan is able to support the future working capital, capital expenditures, debt repayment, dividend payments and other needs in the next 12 months.

31. FINANCIAL INSTRUMENTS

a. Financial instruments not evaluated at fair value

Except as detailed in the following table, the management considers the carrying amounts of financial assets and financial liabilities recognized in the financial statements as approximating their fair values.

	<u>December 31</u>		
	<u>2022</u>	<u>2021</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount Fair Value</u>
<u>Financial liabilities</u>			
Bonds payable	\$ 9,999,674	\$ 10,313,545	\$ 13,650,026 \$ 14,557,830
Lease liabilities and long-term borrowings are floating-rate financial liabilities, so their carrying amounts are their fair values. Fair values of bonds payable trading in OTC are based on quoted market prices (Level 1).			
b. Fair value of financial instruments measured at fair value on a recurring basis			

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

- 3) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic money market funds	\$ 119,462	\$ -	\$ -	\$ 119,462
Financial assets at FVTOCI				
Investments in equity instruments				
United shares - domestic	\$ -	\$ -	\$ 41,128	\$ 41,128
Unlisted shares - foreign	-	-	81,905	81,905
	\$ -	\$ -	\$ 123,033	\$ 123,033
Financial assets for hedging	\$ 3,987,730	\$ 4,935	\$ 38,997	\$ 4,031,662
Financial liabilities for hedging	\$ 42,000,610	\$ 117,693	\$ 55,758	\$ 42,174,061

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic money market funds	\$ 155,780	\$ -	\$ -	\$ 155,780
Financial assets at FVTOCI				
Investments in equity instruments				
United shares - domestic	\$ -	\$ -	\$ 28,804	\$ 28,804
Unlisted shares - foreign	-	-	39,080	39,080
	\$ -	\$ -	\$ 67,884	\$ 67,884
Financial assets for hedging	\$ 3,545,706	\$ -	\$ 17,613	\$ 3,563,319
Financial liabilities for hedging	\$ 36,274,740	\$ 449	\$ 2,755	\$ 36,277,944

There were no transfers between Levels 1 and 2 in the current period.

- 4) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instrument	Valuation Techniques and Inputs
Derivatives	The fair values of derivatives (except for options) have been determined based on discounted cash flow analysis using interest yield curves applicable for the duration of the derivatives. The estimates and assumptions that the Group used to determine the fair values are identical to those used in the pricing of financial instruments for market participants.

- 5) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of currency options and fuel options are determined using option pricing models where the significant unobservable inputs are implied fluctuation. Changes in the implied fluctuations used in isolation would result in an increase or decrease in the fair value of the currency options and fuel options and swap.

The domestic and foreign unlisted equity investment are based on the comparative company valuation to estimate the fair value. The main assumptions are based on the multiplier of the market price of the comparable listed company and the net value per share, which have considered the liquidity discount. The higher the multiplier or the lower the liquidity discount, the higher the fair value of the relevant financial instruments.

The multiplier and liquidity discount of financial instruments based on Level 3 fair value measurement were as follows:

	Multiplier	Liquidity Discount
December 31, 2022	0.39-12.39	80%
December 31, 2021	0.74-14.31	80%

The movements of financial instruments based on Level 3 fair value measurement were as follows:

	Derivative Instruments	Equity Instruments
Balance at January 1, 2022	\$ 6,124	\$ 67,884
Recognized in other comprehensive income	(22,885)	55,149
Balance at December 31, 2022	\$ (16,761)	\$ 123,033
Balance at January 1, 2021	\$ -	\$ 163,746
Recognized in other comprehensive income	6,124	(95,862)
Balance at December 31, 2021	\$ 6,124	\$ 67,884

Because some financial instruments and nonfinancial instruments may not have their fair values disclosed, the total fair value disclosed herein is not the total value of the Group's collective instruments.

c. Categories of financial instruments

	2022	2021
Financial assets		
Financial assets at FVTPL	\$ 119,462	\$ 155,780
Financial assets for hedging	4,031,662	3,563,319
Financial assets at amortized cost (Note 1)	55,105,434	74,194,351
Financial assets at FVTOCI - investments in equity instruments	123,033	67,884
Financial liabilities		
Financial liabilities for hedging	42,174,061	36,277,944
Financial liabilities at amortized cost (Note 2)	147,815,221	160,383,305

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, time deposits with original maturities of more than 3 months, notes and accounts receivable, accounts receivable - related parties, other receivables, refundable deposits and other restricted financial assets.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, notes and accounts payable, accounts payable - related parties, other payables, bonds payable, long-term borrowings, lease liabilities payable, lease liabilities, provisions, part of other current liabilities, part of other non-current liabilities and guarantee deposits.

d. Financial risk management objectives and policies

The Group has risk management and hedging strategies to respond to changes in the economic and financial environment and in the fuel market. To reduce the financial risks from changes in interest, exchange rates and in fuel prices, the Group has its operating costs stay within a specified range by using appropriate financial hedging instruments and hedging percentages in accordance with the "Processing Program of Derivative Financial Instrument Transactions" approved by the Group's shareholders to reduce the impact of market price changes on earnings. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

In addition, the Group has a risk committee, which meets periodically to evaluate the performance of derivative instruments and determine the appropriate hedging percentage. This committee informs the Group of global economic and financial conditions, controls the entire financial risk resulting from changes in the financial environment and fuel prices, and develops the strategy and response to avoid financial risk with the assistance of financial risk experts to effect risk management.

1) Market risk

The Group is primarily exposed to the financial risks of changes in foreign currency exchange rates and interest rates. The Group entered into derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk. The Group enters into foreign exchange forward contracts, foreign currency option contracts, and interest swap contracts with fair values that are highly negatively correlated to the fair values of hedged items and evaluates the hedging effectiveness of these instruments periodically.

a) Foreign currency risk

The Group enters into foreign currency option contracts to hedge against the risks on change in related exchange rates, enters into forward contracts to hedge against the risks on changes in foreign-currency assets, liabilities and commitments in the related exchange rates.

Sensitivity analysis

The Group was mainly exposed to the U.S. dollar.

An increase/decrease in U.S. dollars one dollar against New Taiwan dollars when reporting foreign currency risk internally to key management personnel represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for U.S. dollars increase/decrease by one dollar against New Taiwan dollars in foreign currency rates.

When New Taiwan dollars increased by one dollar against U.S. dollars and all other variables were held constant, there would be a decrease in pre-tax profit and an increase in other comprehensive income for the year ended December 31, 2022 of \$113,514 thousand and \$1,126,710 thousand, respectively; and an decrease in pre-tax profit and an increase in other comprehensive income for the year ended December 31, 2021 of \$187,869 thousand and \$1,173,733 thousand, respectively.

The Group's hedging strategy is to enter into foreign exchange forward contracts and foreign currency option contracts to avoid exchange rate exposure of its foreign currency denominated receipts and payments and to manage exchange rate exposure of its aircraft prepayments in the next year. Those transactions are designated as cash flow hedges. When forecasted purchases actually take place, basis adjustments are made to the initial carrying amounts of hedged items.

For the hedges of highly probable aircraft prepayments, as the critical terms (i.e., the notional amount, useful life and underlying asset) of the foreign currency options contracts and foreign exchange forward contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of the effectiveness, and it is expected that the value of the foreign exchange forward contracts and the value of the corresponding hedged items will systematically change in the opposite direction in response to movements in the underlying exchange rates.

The following table summarizes the information relating to the hedging of foreign currency risk. Please refer to Note 21 for rental contract for hedging.

December 31, 2022

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount
					Asset	Liability
Cash flow hedge - Aircraft rentals - forward exchange contracts	NTD/USD	NTD 138,344/ USD4,510	2023.1.18 - 2023.8.25	29.979-30.702	Financial assets for hedging - current/ liabilities for hedging - current	\$ - / \$ 198
Aircraft prepayments - forward exchange contracts	NTD/USD	NTD 3,312,883/ USD 108,000	2023.1.19 - 2023.6.30	29.5-31.9	Financial assets for hedging - current/ liabilities for hedging - current	4,935 / 110,563

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (aircraft rentals in U.S. dollars) was \$(105,826) thousand.

For the year ended December 31, 2022

	Hedging Gains (Losses) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item
Cash flow hedge - Aircraft rentals	\$ 251	\$ (24,701) (Note)
Aircraft prepayments	<u>\$(104,689)</u>	<u>\$ (24,701)</u>

Note: Increase in operating costs or exchange loss.

For the year ended December 31, 2022, the amount of hedging instrument settlements recognized as aircraft prepayments were \$(939) thousand.

December 31, 2021

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount
					Asset	Liability
Cash flow hedge - Aircraft rentals - forward exchange contracts	NTD/USD	NTD 215,651/ USD 7,785	2022.4.29 - 2022.12.23	27.6-27.9	Financial assets for hedging - current/ liabilities for hedging - current	\$ - / \$ 449

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (aircraft rentals in U.S. dollars) was \$(449) thousand.

For the year ended December 31, 2021

	Hedging Gains (Losses) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item
Cash flow hedge	\$ 3,062	\$ (6,392) (Note)
Aircraft rentals	5,794	(6,844)
Aviation fuel	<u>8,856</u>	<u>(13,236)</u>

Note: Increase in operating costs or exchange loss.

b) Interest rate risk

The Group enters into interest swap contracts to hedge against the risks on change in interest rates of long-term borrowings. The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings, and using interest rate swap contracts.

The carrying amount of the Group's financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	2022	December 31 2021
Fair value interest rate risk	\$ 59,825,679	\$ 56,279,341
Cash flow interest rate risk	89,811,596	105,262,530

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A one yard (25 basis points) increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Had interest rates increased by one yard (25 basis points) and all other variables been held constant, the Group's pre-tax profit for the year ended December 31, 2022 would have decreased by \$224,529 thousand.

Had interest rates increased by one yard (25 basis points) and had all other variables been held constant, the Group's pre-tax profit for the year ended December 31, 2021 would have decreased by \$263,156 thousand.

The following tables summarize the information relating to the hedges for interest rate risk.

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount Asset	Carrying Amount Liability
Cash flow hedge - Interest expense on borrowings - interest rate swaps	NTD	NTD900,000	2027.4.1 - 2027.5.24	1.39%-1.58%	Financial assets for hedging - current/ non-current	\$ -	\$ 6,932

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (interest expense on long-term borrowings) was \$(6,932) thousand.

	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item
Cash flow hedge - Interest expense on long-term borrowings	\$ (6,932)	\$ (3,810) (Note)

For the year ended December 31, 2022

Cash flow hedge - Interest expense on long-term borrowings

Note: Increase in finance costs or other losses.

c) Other price risk

The Group was exposed to fuel price risk on its purchase of aviation fuel. The Group enters into fuel options contracts and swap contracts to hedge against adverse risks on fuel price changes.

December 31, 2022

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount Asset	Carrying Amount Liability
Cash flow hedges - aviation fuel - fuel options	USD	NTD7,094	2023.03.31 - 2023.12.31	USD60+USD148	Financial assets for hedging - current/ non-current	\$ 38,997	\$ 46,091
Cash flow hedges - aviation fuel - swap	USD	NTD9,667	2023.3.31	USD96	Financial assets for hedging - current/ non-current	-	9,667

Hedge accounting continues to be applied to the abovementioned hedging instruments. The carrying amount of other equity for each hedging item (fuel payments in U.S. dollars) was \$(16,761) thousand.

For the year ended December 31, 2022

	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item
Cash flow hedges - aviation fuel	\$ (22,885)	\$ 88,690 (Note)

December 31, 2022

	The Weighted Average Effective Interest Rate (%)		
	Less than 1 Year	1 to 5 Years	Over 5 Years
Lease liabilities	\$ 4,001,479	\$ 9,815,619	\$ 7,695,130
Floating interest rate liabilities	15,275,398	53,591,807	12,743,750
Derivative instruments	11,026,182	27,455,159	7,480,222
Bonds payable	2,454,645	7,729,726	-
	<u>\$ 32,757,704</u>	<u>\$ 98,592,311</u>	<u>\$ 27,919,102</u>

December 31, 2021

	The Weighted Average Effective Interest Rate (%)		
	Less than 1 Year	1 to 5 Years	Over 5 Years
Lease liabilities	\$ 3,440,414	\$ 9,119,294	\$ 7,314,114
Floating interest rate liabilities	12,123,745	71,980,918	13,979,191
Derivative instruments	9,375,841	28,118,375	1,532,555
Bonds payable	2,740,146	12,303,090	-
	<u>\$ 27,680,146</u>	<u>\$ 121,521,677</u>	<u>\$ 22,825,860</u>

32. RELATED-PARTY TRANSACTIONS

The transactions between subsidiaries (obtain business) relationship with China Airlines, Ltd., remaining account balance, revenue and expense are eliminated when combined, which is not disclosed in this note. Besides information disclosed elsewhere in other notes, details of transactions between the Group and other related parties are as follows:

a. Related party name and relationship

Related Party Name	Relationship with the Company
China Aircraft Service	Associate (became not related party since March 2022)
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Associate
Airport Air Cargo Service (Xiamen) Co., Ltd.	Associate
Eastern United International Logistics (Hong Kong) Dynasty Holidays	Associate
China Pacific Catering Services	Joint venture
China Pacific Laundry Services	Joint venture
NORDAM Asia Ltd.	Joint venture
Delica International Co., Ltd.	Joint venture

(Continued)

Relationship with the Company

Related Party Name	Relationship with the Company
China Aviation Development Foundation	Director of the Company and major shareholder
Others	Director, key management personnel, chairman, general manager of the Group, spouse and second-degree relative (Concluded)

b. Operating income

Account Items	Related Party Type	For the Year Ended December 31
		2022
Other income	Major shareholder of the Company	\$ 9,131
	Associate	\$ 56
	Joint venture	\$ 46,801
		<u>\$ 20,365</u>

c. Purchases

Related Party Type	For the Year Ended December 31
	2022
Major shareholder of the Company	\$ 18,972
Associate	\$ 415,611
Joint venture	\$ 665,802
	<u>\$ 221,802</u>

d. Accounts receivable - related parties (generated by operations)

Related Party Type	December 31
	2022
Joint venture	\$ 3,804
Major shareholder of the Company	\$ 1,045
	<u>\$ 4,849</u>
	<u>\$ 2,348</u>

The receivables are not guaranteed, and there is no allowance for doubtful accounts related to accounts receivable - related parties. The payment periods of such accounts were within 30 to 90 days, and there are no overdue payments.

e. Accounts payable - related parties (generated by operations)

Related Party Type	December 31
	2022
Associate	\$ 39,491
Joint venture	275,898
Major shareholder of the Company	2,421
	<u>\$ 1,816</u>
	<u>\$ 317,810</u>

The remaining balance of accounts payable - related parties will be paid in cash if they are not secured.

f. Lease arrangements (operating leases)

Under an operating lease agreement, the Company rented flight training machines and flight simulators from China Aviation Development Foundation to train pilots, the Company paid the rental based on usage hours. For the years ended December 31, 2022 and 2021, the Company had paid rentals of about \$18,972 thousand and \$28,574 thousand, respectively.

g. Endorsements and guarantees

	December 31		2021	
	Authorized Amount	Actual Amount Used	Authorized Amount	Actual Amount Used
<u>The Company</u>				
CAL Park	\$ 3,850,000	\$ 1,444,200	\$ 3,850,000	\$ 1,663,320
Tigerair Taiwan	2,868,466	286,202	2,590,360	258,454
Taiwan Air Craft Maintenance	2,000,000	1,517,000	2,000,000	1,459,000
			For the Year Ended December 31	2021
			2022	2021
			\$ 59,047	\$ 42,093
			<u>13,503</u>	<u>42,123</u>
			\$ <u>72,550</u>	\$ <u>84,216</u>

h. Remuneration of key management personnel

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends.

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were pledged or mortgaged as collateral for long-term bank loans, lease liabilities and business transactions:

	December 31	
	2022	2021
Property, plant and equipment	\$ 36,711,923	\$ 31,823,285
Right-of-use assets	59,015,407	56,061,967
Restricted assets	<u>765,059</u>	<u>577,809</u>
	<u>\$ 96,492,389</u>	<u>\$ 88,463,061</u>

34. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

In addition to those disclosed in the other notes, significant commitments and contingent liabilities of the Group at December 31, 2022 were as follows:

a. Taiwan Air Cargo Terminal Co. (TACT) signed a terminal construction contract with Civil Aeronautics Administrations (CAA) on January 14, 2000. The chartered operation period (COP) is 20 years from the date of transfer of the chartered operation rights from CAA to TACT. TACT filed an application for a 10-year extension of the COP for the cargo terminals in the Taiwan Taoyuan International Airport and Kaohsiung International Airport and received the approval from Taoyuan Airport Corporation and CAA in July 2013 and July 2015, respectively.

However, TACT filed an arbitration in 2012 to revise the total amount of expenditure to \$6,840,000 thousand. As of December 31, 2022, TACT had signed the following construction contracts with unrelated parties:

Client Name	Contract Title	Contract Amount (VAT Included)
HTS CONSTRUCTION CO., LTD.	Project A of the renovation and expansion project of Taoyuan Air Cargo Terminal for the plan to continue to operate - the waterproof landside terminal walkway construction project	\$ 11,200
INBRIDGE CONSTRUCTION CO., LTD	Project A of the renovation and expansion project of Taoyuan Air Cargo Terminal for the plan to continue to operate - steel structure rust removal and painting of three-dimensional parking lot, mechanical and electrical pipeline renewal and exterior wall painting project	77,770

As of December 31, 2022, the accumulated payments of construction in process for construction equipment were \$4,799 thousand (VAT included). The amounts were recognized as construction in progress.

Assets acquired from cargo terminal improvements, equipment acquisition and subsequent equipment acquisition and replacement will be transferred to the government without any compensation when the chartered operating license expires.

TACT should pay royalties to Taoyuan Airport Corporation and CAA during the chartered operation period. The calculation is based on annual sales (including operating and non-operating revenue but excluding the rental revenue from specific districts), and Taoyuan Airport Corporation and CAA have the option to adjust the royalty rates every 3 years starting from the date of transfer of the chartered operation rights on the basis of actual revenue and expenditures. The current royalty rate is 6% for less than \$2 billion and 8% for \$2 billion to \$4 billion.

b. CAL Park Co., Ltd. ("CAL Park") signed "Taiwan Taoyuan International Airport Aviation Operation Center (including Airport Hotel) Construction Operating Contract" with the CAA on September 20, 2006. However, on November 1, 2010, the Taoyuan Airport Corporation took over the CAA's rights on this contract from the CAA. The contract is effective for 50 years (consisting of the development stage and operating period) from the contract date. Three years before contract expiry date, CAL Park has the first option to renew the contract with a 20-year extension.

CAL Park's business scope includes providing business and other operating space related to civil air transport, hotels, aviation service and related industries adhered to the base and essential services law and approved by the Taoyuan Airport Corporation.

CAL Park should pay land rentals on the date of the registration of surface rights. The rental rates for the development stage differ from those for the operation period. The rental rates should follow Article No. 2 of the "Regulations for Favorable Rentals Regarding Public Land Lease and Superficies in Infrastructure Projects," which states that rental calculation in the development stage should include the land value added tax plus the necessary maintenance fee; in the operation period, rentals are 60% of the amount based on the National Building Land Rental Standard plus land value tax, value-added tax and the necessary maintenance fees.

During the 50 years beginning from the initial operation date of CAL Park to the end of the construction period, CAL Park should pay royalties based on the operating revenue estimated in the financial plan of its investment execution proposal. If the sales and business tax declared and filed by a business entity for a single year exceeds 10% of the operating revenue as estimated in the financial plan in its investment execution proposal, CAL Park should pay additional royalties at 10% of this excess.

CAL Park should submit the asset transfer plan within five years before the expiry date of the chartered operation period, begin the negotiation of the asset transfer contract, and complete the assignment no later than three years before the expiry date of the chartered period. If CAA decides not to keep the building and equipment on the base area, CAL Park should remove all related building and equipment within three months after the expiry date.

c. In October 2019, the Company signed a contract with Airbus S.A.S. to purchase eleven A321neo aircraft and an option to purchase five A321neo aircraft. The total list price of the eleven aircraft is US\$1,676,413 thousand, and the list price of the option to purchase five aircraft is US\$769,922 thousand. The expected delivery periods of the eleven aircraft are from 2024 to 2026. As of December 31, 2022, the list price had been paid in the amount of US\$45,297 thousand (recognized as prepayments for aircraft). In October 2019, the Company signed a contract with International Aero Engines Company to purchase four backup engines of A321neo. The total list price of the four engines is US\$60,289 thousand. As of December 31, 2022, two out of the four backup engines have been delivered. The Group also signed related aircraft lease agreement, please refer to Note 21.

d. In July and August 2019, the Company signed a contract with Boeing Company to purchase three 777F aircraft and exercised the option to purchase three 777F aircraft. In January 2022, the Company signed an additional contract with Boeing Company to purchase another four 777F aircraft. The expected delivery periods are from 2023 to 2024. The total list price of the ten aircraft is US\$3,905,142 thousand. As of December 31, 2022, five out of the ten aircraft have been delivered. The total list price of the remaining five aircraft is US\$2,019,932 thousand, and the list price has been paid in the amount of US\$403,986 thousand (recognized as prepayments for aircraft).

e. On September 28, 2022, the Company signed a contract with the Boeing Company to purchase sixteen 787-9 aircraft and the option to purchase eight 787-9 aircraft. The total list price of the sixteen aircraft is US\$5,868,695 thousand, and the list price of the option to purchase eight aircraft is US\$3,039,894 thousand. The sixteen aircraft expected delivery periods are from 2025 to 2027. As of December 31, 2022, the list price has been paid in the amount of US\$117,374 thousand (recognized as prepayments for aircraft), option to purchase eight aircraft is the expected delivery periods are from 2026 to 2028. As of December 31, 2022, the list price has been paid in the amount of US\$18,240 thousand (recognized as prepayments for aircraft).

f. In October 2019, Tigerair Taiwan Co., Ltd. signed a contract with Airbus S.A.S. to purchase seven A320neo aircraft and an option to purchase two A320neo aircraft. The total list price of the seven aircraft is US\$729,746 thousand, and the list price of the option to purchase two aircraft is US\$208,499 thousand. The expected delivery period of the seven aircraft ranges from 2025 to 2027. As of December 31, 2022, the list price has been paid in the amount of US\$18,549 thousand (recognized as prepayments for aircraft). In addition, in December 2019, Tigerair Taiwan Co., Ltd. signed a contract with International Aero Engines Company to purchase two backup engines of A320neo aircraft. The total list price of the two engines is US\$27,345 thousand. As of December 31, 2022, one out of the two backup engines has been delivered, and the other was expected to be delivered in 2025. The Group also signed related aircraft lease agreement, please refer to Note 21.

35. IMPACT OF COVID-19

For the years ended December 31, 2022 and 2021, because of the COVID-19 pandemic, the Group received subsidies of \$1,135,323 thousand and \$1,476,141 thousand, respectively, for airport landing fees and parking fees, etc. The subsidies for housing and land rental, and salary and interest expense were \$829,165 thousand and \$1,536,709 thousand, respectively. These subsidies were recognized as other income or deductions from other expenses.

The Group has obtained a relief loan from the government. Refer to Note 19 for details on the amount of loan and its allocation.

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currency of entities in the Group and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
<u>December 31, 2022</u>			
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,130,182	30.6748	\$ 34,668,125
EUR	35,074	32.7869	1,149,979
HKD	310,589	3.9386	1,223,286
JPY	6,179,784	0.2317	1,431,856
CNY	572,690	4.4131	2,527,337
<u>Financial liabilities</u>			
Monetary items			
USD	2,255,888	30.6748	69,198,932
EUR	6,849	32.7869	224,557
HKD	48,341	3.9386	190,397
JPY	3,309,634	0.2317	766,842
CNY	112,939	4.4131	498,411

December 31, 2021

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	\$ 1,123,112	27.7008	\$ 31,111,094
EUR	24,700	31.4465	776,718
HKD	551,856	3.5499	1,959,032
JPY	5,082,118	0.2407	1,223,259
CNY	768,075	4.3459	3,337,976

Financial liabilities

Monetary items			
USD	2,116,761	27.7008	58,635,978
EUR	3,724	31.4465	117,119
HKD	65,641	3.5499	233,020
JPY	2,810,820	0.2407	676,564
CNY	112,025	4.3459	486,852

For the years ended December 31, 2022 and 2021, the Group's net foreign exchange gains (losses) were \$797,017 thousand and \$(2,925) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Group.

37. ADDITIONAL DISCLOSURES

- a. Following are the additional disclosures required by the Securities and Futures Bureau for the Company and its investees:
- 1) Financing provided to others: Table 1 (attached)
 - 2) Endorsements/guarantees provided: Table 2 (attached)
 - 3) Marketable securities held: Table 3 (attached)
 - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
 - 5) Acquisitions of individual real estates at costs of at least NT\$300 million or 20% of the paid-in capital: None
 - 6) Disposals of individual real estates at costs of at least NT\$300 million or 20% of the paid-in capital: None
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)

9) Names, locations, and related information of investees over which the Company exercises significant influence: Table 6 (attached)

10) Trading in derivative instruments (Notes 7 and 31)

b. Information on investments in mainland China: Table 7 (attached)

c. Business relationships and important transactions between China Airlines, Ltd. and its subsidiaries: Table 8 (attached)

d. Information of major shareholders: Table 9 (attached)

38. SEGMENT INFORMATION

a. Segment information

The Group mainly engages in air transportation services for passengers, cargo and others. Its major revenue-generating asset is its aircraft fleet, which is used jointly for passenger and cargo services. Thus, the Group's sole reportable segment is its flight segment. For operating segment reporting in the consolidated financial statements, the reportable segment of the Group and its subsidiaries comprises the flight and the non-flight business departments. The accounting policy applied for reportable segments are consistent with the policies aforementioned in Note 4.

	For the Year Ended December 31, 2022		
	Air Transportation	Others	Adjustments and Write-offs Total
Operating revenue	\$ 146,692,621	\$ 8,649,589	\$ 150,722,471
Operation profit and loss	\$ 2,754,773	\$ (101,135)	\$ 2,584,734
Interest income			639,845
Investment income accounted for using the equity method			(74,839)
Revenue			2,332,965
Finance costs			(2,540,792)
Expenses			(281,153)
Profit before income tax			\$ 2,660,760
Identifiable assets	\$ 180,804,314	\$ 14,393,849	\$ 189,294,823
Investments accounted for using the equity method			1,453,244
Assets			103,664,126
Total assets			\$ 294,412,193

CHINA AIRLINES, LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
1	Cat-Dynasty International	Dynasty Hotel of Hawaii, Inc.	Notes receivable	Y	\$ 112,903	\$ 107,362	\$ 107,362	2.25	Short-term financing facility is necessary	\$ -	Operating cycle capital expenditure	\$ -	\$ -	\$ 157,028	\$ 314,056		

Note 1: The maximum amount of loans to others by the Group is up to 40% of the Group's net worth as stated in its latest financial statements.

Note 2: The maximum amount of loans to an individual counterparty by the Group is up to 20% of the Group's net worth as stated in its latest financial statements.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsor/ Guarantor	Endorsee/Guaranteee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	China Airlines (the "Company")	CAL Park Tigerair Taiwan Co., Ltd. Taiwan Aircraft Maintenance and Engineering Co., Ltd.	100% owned subsidiary 82.27% owned subsidiary by direct and indirect holdings 100% owned subsidiary	\$ 14,000,040 14,000,040 14,000,040	\$ 3,850,000 3,016,516 2,000,000	\$ 3,850,000 2,868,466 2,000,000	\$ 1,444,200 286,202 1,517,000	\$ - - -	5.50 4.10 2.86	\$ 35,000,100 35,000,100 35,000,100	Y Y Y	N N N	N N N

Note 1: Based on the Company's guidelines, the maximum amount of guarantee to an individual counterparty is up to 20% of the Company's shareholders' equity.

Note 2: Based on the Company's guidelines, the allowable aggregate amount of collateral guarantee is up to 50% of the Company's shareholders' equity.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022			Note
				Number of Shares/Units	Carrying Amount	Percentage of Ownership (%)	
China Airlines ("Parent company")	Shares Everest Investment Holdings Ltd. - ordinary shares	-	Financial assets at FVTOCI - non-current	16,724	\$ 20,818	13.59	Note 1
	Everest Investment Holdings Ltd. - preference shares	-	Financial assets at FVTOCI - non-current	1,672	2,082	-	-
	Chung Hua Express Co.	-	Financial assets at FVTOCI - non-current	1,100,000	41,128	11.00	-
	China Aircraft Service	-	Financial assets at FVTOCI - non-current	28,400,000	-	4.00	-
	The Grand Hi Lai Hotel	-	Financial assets at FVTPL - current	1,072	-	0.00	-
Mandarin Airlines	Shares China Airlines	Parent company	Financial assets at FVTOCI - non-current	2,074,628	39,418	-	-
Cal-Asia Investment	Shares Taikoo (Xiamen) Landing Gear Services	-	Financial assets at FVTPL - current	-	-	2.59	Note 2
	Taikoo Spirit Aerospace Systems (Jinjiang) Composite	-	Financial assets at FVTOCI - non-current	-	59,004	5.45	Note 2
Sabre Travel Network (Taiwan)	Beneficiary certificates FSITC Money Market Fund	-	Financial assets at FVTPL - current	95,673	17,322	-	-
Taiwan Airport Services	Shares TransAsia Airways	-	Financial assets at FVTPL - current	2,277,786	-	0.40	-
Kaohsiung Catering Services	Beneficiary certificates Prudential Financial Money Market Fund	-	Financial assets at FVTPL - current	3,163,289	50,823	-	-
	Taishin 1699 Money Market Fund	-	Financial assets at FVTPL - current	3,728,020	51,317	-	-

Note 1: The subsidiary's net asset value was \$22,900 thousand, which included ordinary shares and preference shares as of December 31, 2022.

Note 2: The company does not issue shares because it is a limited company.

Note 3: The table only lists financial assets that are in accordance with IFRS 9.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Transaction Details		Abnormal Transaction		Notes/Accounts Receivable or Payable		Note		
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms		Ending Balance	% of Total
China Airlines, Ltd. ("China Airlines")	Dynasty Aerotech International Corp.	Subsidiary	Purchase	\$ 359,440	0.28	2 months	\$ -	-	-	(2.76)	
	CAL Park	Subsidiary	Purchase	231,317	0.18	2 months	-	-	-	-	
	Cal Hotel Co., Ltd.	Subsidiary	Purchase	167,382	0.13	2 months	-	-	-	(0.49)	
	Mandarin Airlines	Subsidiary	Sale	(271,089)	(0.19)	2 months	-	-	-	0.70	
	Taiwan Air Cargo Terminal	Subsidiary	Purchase	595,081	0.46	30 days	-	-	-	(2.26)	
	Taoyuan International Airport Service	Subsidiary	Purchase	1,098,923	0.86	40 days	-	-	-	(11.33)	
	Global Sky Express	Subsidiary	Sale	(180,596)	(0.13)	15 days	-	-	-	0.04	
	Tigerair Taiwan Co., Ltd.	Subsidiary	Sale	(251,361)	(0.18)	1 month	-	-	-	0.25	
	Taiwan Aircraft Maintenance and Engineering Co., Ltd.	Subsidiary	Purchase	243,593	0.19	1 month	-	-	-	(1.17)	
	Eastern United International Logistics	Equity-method investee	Purchase	401,256	0.31	2 months	-	-	-	(2.10)	
	China Pacific Catering Services	Equity-method investee	Purchase	562,323	0.44	90 days	-	-	-	(13.84)	
	Mandarin Airlines	Tigerair Taiwan Co., Ltd.	Same parent company	Purchase	488,496	11.52	1 month	-	-	-	(9.95)
		Taiwan Airport Services	Same parent company	Purchase	203,487	4.80	1 month	-	-	-	(2.63)
Cal Hotel	CAL Park	Same parent company	Purchase	114,295	62.50	1 month	-	-	-	-	

CHINA AIRLINES, LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
China Pacific Catering Services	China Airlines	Parent company	\$ 254,611	3.61	\$ -	-	\$ 150,554	\$ -
Taoyuan International Airport Service	China Airlines	Parent company	208,532	4.78	-	-	208,532	-

CHINA AIRLINES, LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEE OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Business and Product	Original Investment Amount		As of December 31, 2022		Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 2022	December 31, 2021	Number of Shares	Percentage of Ownership (%)			
China Airlines, Ltd.	CAL Park	Taoyuan, Taiwan	Real estate lease and international trade	\$ 1,500,000	\$ 1,500,000	151,546,405	100.00	\$ 32,106	\$ 72,287	Note 4
	Mandarin Airlines	Taipei, Taiwan	Air transportation and maintenance of aircraft	4,039,140	4,039,140	387,831,234	96.96	1,196,733	(631,631)	Notes 1 and 4
	Taiwan Air Cargo Terminal	Taoyuan, Taiwan	Air cargo and storage	1,350,000	1,350,000	135,000,000	54.00	1,790,921	354,620	Note 4
	Cal-Dynasty International	Los Angeles, USA	A holding company, real estate and hotel services	US\$ 26,145	US\$ 26,145	2,614,500	100.00	1,359,724	62,842	Notes 2 and 4
	China Pacific Catering Services	Taoyuan, Taiwan	In-flight catering	439,110	439,110	43,911,000	51.00	448,222	(104,360)	-
	Taoyuan International Airport Services	Taoyuan, Taiwan	Airport services	147,000	147,000	34,300,000	49.00	424,527	(258,745)	-
	CAL-Asia Investment	Territory of the British Virgin Islands	General investment	US\$ 7,172	US\$ 7,172	7,172,346	100.00	617,106	42,006	-
	Sabre Travel Network (Taiwan)	Taipei, Taiwan	Sale and maintenance of hardware and software	52,200	52,200	13,021,042	93.93	185,935	(10,573)	-
	China Aircraft Service	Hong Kong International Airport	Airport services	HK\$ 58,000	HK\$ 58,000	28,400,000	4.00	(42,609)	-	Note 6
	Taiwan Airport Services	Taipei, Taiwan	Airport services	12,289	12,289	20,626,644	47.35	102,745	(61,629)	-
	Kaohsiung Catering Services	Kaohsiung, Taiwan	In-flight catering	383,846	383,846	21,494,637	53.67	349,489	(33,313)	Note 5
	Cal Hotel Co., Ltd.	Taoyuan, Taiwan	Hotel business	465,000	465,000	33,480,000	100.00	304,948	(31,198)	Note 4
	China Pacific Laundry Services	Taoyuan, Taiwan	Cleaning and leasing of the towel of airlines, hotels, restaurants and health clubs	137,500	137,500	13,750,000	55.00	92,684	(48,966)	-
	Dynasty Aerotech International Corp.	Taoyuan, Taiwan	Cleaning of aircraft and maintenance of machine and equipment	77,270	77,270	77,270	100.00	144,523	33,854	Notes 1 and 4
Mandarin Airlines	Dynasty Holidays	Tokyo, Japan	Travel business	JPY 8,000	JPY 8,000	160	20.00	-	-	-
	Global Sky Express	Taipei, Taiwan	Forwarding and storage of air cargo	2,500	2,500	250,000	25.00	8,256	10,305	-
	Tigerair Taiwan Co., Ltd.	Taipei, Taiwan	Air transportation and maintenance of aircraft	5,640,197	5,640,197	313,631,656	78.41	725,747	(2,849,792)	Note 4
	Taiwan Aircraft Maintenance and Engineering Co., Ltd.	Taoyuan, Taiwan	Aircraft maintenance	1,350,000	1,350,000	56,000,000	100.00	451,322	(106,596)	-
Mandarin Airlines	Tigerair Taiwan Co., Ltd.	Taoyuan, Taiwan	Aircraft maintenance	37,975	2,450	3,797,500	49.00	19,196	(9,639)	-
	Taiwan Airport Services	Taipei, Taiwan	Air transportation and maintenance of aircraft	154,330	154,330	15,433,000	3.86	(2,849,792)	(109,952)	-
CAL-Asia Investment	Taiwan Airport Services	Taipei, Taiwan	Airport services	11,658	11,658	469,755	1.08	2,337	(1,402)	-
	Eastern United International Logistics	Hong Kong	Forwarding and storage of air cargo	HK\$ 3,329	HK\$ 3,329	1,050,000	35.00	57,188	12,572	-
Taiwan Airport Services	Taiwan Airport Service (Samoa)	Samoa	Airport services and investment	US\$ 5,877	US\$ 5,877	-	100.00	440,445	27,820	Note 3
Kaohsiung Catering Services	Deltea International Co., Ltd.	Kaohsiung, Taiwan	Catering business	10,200	10,200	1,020,000	51.00	7,534	-	-

Note 1: Adopted the treasury shares method in recognizing investment income or loss.

Note 2: Represents the consolidated financial information of the foreign holding company disclosed in accordance with local regulations.

Note 3: The company does not issue shares because it is a limited company.

Note 4: The difference is due to lease arrangement between consolidated entities.

Note 5: The difference is due to acquisition.

Note 6: The Group lost significant influence over it during the year.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars/Renminbi/U.S. Dollars, Unless Stated Otherwise)

China Airlines

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022
					Outward	Inward						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	\$ 1,123,036 (RMB 254,480)	Indirect (Note 1)	\$ 128,404 (US\$ 4,186)	\$ -	\$ -	\$ 128,404 (US\$ 4,186)	\$ 92,616 (RMB 20,987)	14.00	\$ 10,542 (RMB 2,563)	\$ 246,704 (RMB 55,902)	\$ 108,483 (US\$ 3,537) (Note 2)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	61,783 (RMB 14,000)	Indirect (Note 1)	59,737 (US\$ 1,947)	-	-	59,737 (US\$ 1,947)	113,521 (RMB 25,724)	14.00	14,292 (RMB 3,270)	142,128 (RMB 32,206)	47,869 (US\$ 1,561) (Note 2)
Taikoo (Xiamen) Landing Gear Services	Landing gear maintenance services	2,548,773 (US\$ 83,090)	Indirect (Note 1)	65,988 (US\$ 2,151)	-	-	65,988 (US\$ 2,151)	-	2.59	-	-	-
Taikoo Spirit Aerospace Systems (Jinjiang)	Composite material	357,761 (US\$ 11,663)	Indirect (Note 1)	19,509 (US\$ 636)	-	-	19,509 (US\$ 636)	-	5.45	-	59,004 (RMB 13,370)	10,936 (US\$ 357)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$273,639 (US\$8,920)	\$663,432 (Note 3)	\$43,472,065 (Note 4)

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022
					Outward	Inward						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	\$ 1,123,036 (RMB 254,480)	Indirect (Note 5)	\$ 123,262 (US\$ 4,018)	\$ -	\$ -	\$ 123,262 (US\$ 4,018)	\$ 92,616 (RMB 20,987)	14.00	\$ 12,966 (RMB 2,750)	\$ 272,011 (RMB 61,638)	\$ 139,299 (US\$ 4,541)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	61,783 (RMB 14,000)	Indirect (Note 5)	59,103 (US\$ 1,927)	-	-	59,103 (US\$ 1,927)	113,521 (RMB 25,724)	14.00	15,893 (RMB 3,552)	167,577 (RMB 37,973)	64,166 (US\$ 2,092)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$182,365 (US\$5,945)	\$182,365 (US\$5,945)	\$130,195 (Note 4)

Note 1: The Company invested in CAL-Asia Investment, which invested in a company located in mainland China.

Note 2: As of December 31, 2022, the inward remittance of earnings amounted to US\$3,536,561 and US\$1,560,538.

Note 3: The amount comprised US\$19,828,324, RMB4,200,000 and NT\$36,666,667.

Note 4: The limit stated in the Investment Commission's regulation "The Review Principle of Investment or Technical Cooperation in Mainland China" is the larger of the Company's net asset value or 60% of the consolidated net asset value.

Note 5: Taiwan Airport Services invested in Taiwan Airport Services (Samoa), which invested in a company located in mainland China.

Note 6: The RMB and U.S. dollar amounts of assets are converted at period-end rates and the gains (losses) are converted at the average of the period-end rates for the reporting period.

(Concluded)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND IMPORTANT TRANSACTIONS BETWEEN CHINA AIRLINES, LTD. AND ITS SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

No.	Company Name	Related Party	Natural of Relationship (Note 1)	Intercompany Transactions			% of Total Consolidated Total Revenue or Assets
				Financial Statement Account	Amount	Transaction Criteria	
0	China Airlines, Ltd.	Mandarin Airlines Mandarin Airlines Global Sky Express Tigerair Taiwan Co., Ltd. Dynasty Aerotech International Corp. CAL Park Cal Hotel Co., Ltd. Taiwan Air Cargo Terminal Taoyuan International Airport Services Taiwan Aircraft Maintenance and Engineering Co., Ltd. Taoyuan International Airport Services	a a a a a a a a a a a	Air transport service revenue Other operating revenue Other operating revenue Other operating revenue Airport service costs Other operating costs Other operating costs Airport service costs Operating costs Accounts payable - related parties	\$ 122,205 148,884 180,596 251,361 359,440 231,317 167,382 595,081 1,098,923 243,593 208,532	The same as ordinary transactions The same as ordinary transactions The same as ordinary transactions The same as ordinary transactions The same as ordinary transactions The same as ordinary transactions The same as ordinary transactions The same as ordinary transactions The same as ordinary transactions The same as ordinary transactions	0.08 0.10 0.12 0.17 0.24 0.15 0.11 0.39 0.73 0.16 0.14
1	Taiwan Air Cargo Terminal	China Airlines, Ltd.	b	Sales revenue	595,081	The same as ordinary transactions	0.39
2	Mandarin Airlines	China Airlines, Ltd. China Airlines, Ltd. Taiwan Airport Service Tigerair Taiwan Co., Ltd.	b b c c	Air transport service costs Operating expenses Airport service costs Operating expenses	122,205 148,884 203,487 488,496	The same as ordinary transactions The same as ordinary transactions The same as ordinary transactions The same as ordinary transactions	0.08 0.10 0.14 0.32
3	Taoyuan International Airport Services	China Airlines, Ltd. China Airlines, Ltd.	b b	Airport service revenue Accounts receivable - related parties	1,098,923 208,532	The same as ordinary transactions The same as ordinary transactions	0.73 0.14
4	Dynasty Aerotech International Corp.	China Airlines, Ltd.	b	Operating revenue	359,440	The same as ordinary transactions	0.24
5	CAL Park	China Airlines, Ltd. Cal Hotel Co., Ltd.	b c	Operating revenue Operating revenue	231,317 114,295	The same as ordinary transactions The same as ordinary transactions	0.15 0.08
6	Global Sky Express	China Airlines, Ltd.	b	Operating costs	180,596	The same as ordinary transactions	0.12
7	Tigerair Taiwan Co., Ltd.	China Airlines, Ltd. Mandarin Airlines	b c	Operating expenses Operating revenue	251,361 488,496	The same as ordinary transactions The same as ordinary transactions	0.17 0.32
8	Taiwan Airport Service	Mandarin Airlines	c	Operating revenue	203,487	The same as ordinary transactions	0.14

(Continued)

No.	Company Name	Related Party	Natural of Relationship (Note 1)	Intercompany Transactions			% of Total Consolidated Total Revenue or Assets
				Financial Statement Account	Amount	Transaction Criteria	
9	Cal Hotel Co., Ltd.	China Airlines, Ltd. CAL Park	b c	Operating revenue Other operating costs	\$ 167,382 114,295	The same as ordinary transactions The same as ordinary transactions	0.11 0.08
10	Taiwan Aircraft Maintenance and Engineering Co., Ltd.	China Airlines, Ltd.	b	Operating revenue	243,593	The same as ordinary transactions	0.16

Note 1: The three directional types for transactions by business relationship between China Airlines, Ltd. and its subsidiaries are as follows:

- a. Parent to subsidiaries.
- b. Subsidiaries to parent.
- c. Subsidiaries to subsidiaries.

Note 2: Intercompany transactions were eliminated in the consolidated financial statements.

Note 3: The Company only discloses transaction amounts or balances of more than \$100,000 thousand.

(Concluded)

TABLE 9

CHINA AIRLINES, LTD.

**INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
China Aviation Development Foundation (CADF)	1,867,341,935	31.05
National Development Fund (NDF)	519,750,519	8.64

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

Cargo rates are highly affected by the supply and demand of the market and sales can only be recognized after relevant transportation services are provided. The input, processing and maintenance of freight information on the airway bills involve manual operations. Therefore, we identified the recognition of cargo revenue as a key audit matter.

Our main audit procedures performed included the following:

1. We understood the internal controls related to the recognition of cargo revenue, including manual and automatic controls.
2. We understood and tested the effectiveness of the information system related to the recognition of cargo revenue.
3. We sampled the airway bills, confirmed that cargo rates were consistent with those stated in airway bills, and verified the amount of cargo revenue.

Other Matter - Audited by Other Independent Auditors

The financial statements of some investments accounted for using the equity method in Note 12 were audited by other independent auditors, and our audit opinion is based solely on the reports of other auditors. As of December 31, 2022 and 2021, the aforementioned investments accounted for using the equity method amounted to NT\$725,747 thousand and NT\$2,955,909 thousand, representing 0.27% and 1.09% of the total assets, respectively. For the years ended December 31, 2022 and 2021, the combined share of profit (loss) and other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method amounted to NT\$(2,230,169) thousand and NT\$(1,739,024) thousand, representing 761.22% and (18.44%) of the total comprehensive income, respectively.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
China Airlines, Ltd.

Opinion

We have audited the accompanying financial statements of China Airlines, Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter in the audit of the Company's financial statements is stated below:

Recognition of Cargo Revenue

In accordance with IFRS 15 "Revenue from Contracts with Customers", cargo sales are accounted for as cargo revenue after relevant transportation services have been provided. For the year ended December 31, 2022, cargo revenue amounted to NT\$115,864,041 thousand. Refer to Notes 4 and 25 to the accompanying financial statements for detailed information.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Kuan-Hao Lee and Shih-Ran Cheng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 9, 2023

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

CHINA AIRLINES, LTD.

BALANCE SHEETS
DECEMBER 31, 2022, AND 2021
(In Thousands of New Taiwan Dollars)

ASSETS	2022	%	2021	%
	Amount		Amount	
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 29)	\$ 27,492,827	10	\$ 35,913,117	13
Financial assets at amortized cost - current (Notes 4, 8 and 29)	4,764,601	2	11,923,194	5
Financial assets for hedging - current (Notes 4, 6 and 29)	4,031,662	2	3,563,319	1
Notes and accounts receivable, net (Notes 4, 10 and 29)	10,529,664	4	12,990,399	5
Other receivables	130,678	-	54,474	-
Other receivables	709,962	-	543,768	-
Current tax assets (Notes 4 and 26)	-	-	52,282	-
Inventories (Notes 4 and 10)	10,508,039	4	8,380,327	3
Non-current assets held for sale (Notes 4 and 11)	1,308,812	-	36,719	-
Other current assets (Note 16)	389,191	-	389,191	-
Total current assets	59,536,245	22	73,846,790	27
NON-CURRENT ASSETS				
Investments accounted for using the equity method (Notes 4, 7 and 29)	64,028	-	55,458	-
Property, plant and equipment (Notes 4, 5, 13 and 31)	6,930,532	4	12,830,025	5
Right-of-use assets (Notes 4, 19 and 31)	11,770,352	45	15,174,348	42
Investment properties (Notes 4 and 14)	52,617,410	20	50,047,418	19
Other long-term assets (Notes 4 and 15)	2,517,438	1	2,047,448	1
Deferred tax assets (Notes 4 and 26)	6,541,596	1	7,554,349	1
Other non-current assets (Notes 16, 19, 29 and 31)	6,055,811	2	5,234,304	2
Total non-current assets	22,375,706	8	9,742,416	4
Total	208,555,953	28	196,803,926	73
TOTAL	\$ 268,092,198	100	\$ 270,650,716	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities for hedging - current (Notes 4, 19 and 29)	\$ 9,983,761	4	\$ 8,437,648	3
Notes and accounts payable (Note 29)	1,109,292	-	826,989	-
Notes and accounts payable - related parties (Note 30)	730,428	-	733,837	-
Other payables (Notes 20 and 25)	13,265,783	5	12,865,006	5
Current tax liabilities	359,261	-	2,880,785	1
Lease liabilities - current (Notes 4 and 19)	1,185,177	1	882,538	1
Contract liabilities current (Notes 4 and 21)	15,257,687	6	3,416,733	1
Provisions - current (Notes 4 and 22)	3,490,653	1	2,578,812	1
Current portion of bonds payable and put option of convertible bonds (Notes 4, 18, and 29)	2,350,000	1	2,525,000	1
Current portion of long-term borrowings (Notes 17, 29 and 31)	1,173,508	4	8,151,129	3
Other current liabilities	2,815,333	1	2,168,227	1
Total current liabilities	62,280,883	23	45,666,704	17
NON-CURRENT LIABILITIES				
Financial liabilities for hedging - non-current (Notes 4, 19 and 29)	32,190,102	12	27,839,847	10
Bonds payable (Notes 4, 8, 29 and 31)	7,649,674	3	11,135,026	4
Long-term borrowings (Notes 17, 29 and 31)	56,751,142	21	76,804,516	29
Contract liabilities - non-current (Notes 4 and 21)	1,280,906	1	635,633	0
Provisions - non-current (Notes 4 and 22)	16,927,949	6	15,229,888	6
Deferred tax liabilities (Notes 4 and 26)	8,259	-	822,368	-
Lease liabilities - non-current (Notes 4 and 19)	10,428,091	4	9,677,756	4
Net defined benefit liabilities - non-current (Notes 4, 5 and 23)	8,348,163	3	8,559,189	3
Other non-current liabilities	2,226,828	1	446,216	-
Total non-current liabilities	135,811,114	51	150,940,439	56
Total liabilities	198,091,997	74	196,607,143	73
EQUITY (Notes 18 and 24)				
Share capital	60,135,374	22	59,412,243	22
Capital surplus	3,120,311	1	2,694,529	1
Retained earnings	925,385	-	-	-
Legal reserve	6,384,381	3	9,353,848	3
Unappropriated retained earnings	7,309,266	3	9,353,848	3
Total retained earnings	(534,375)	-	2,713,828	1
Other equity	(30,875)	-	(30,875)	-
Treasury shares	-	-	-	-
Total equity	70,000,201	26	74,043,573	27
TOTAL	\$ 268,092,198	100	\$ 270,650,716	100

The accompanying notes are an integral part of the financial statements.

CHINA AIRLINES, LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022	%	2021	%
	Amount		Amount	
OPERATING REVENUE (Notes 4, 25 and 30)	\$ 141,069,849	100	\$ 132,140,248	100
OPERATING COSTS (Notes 4, 10, 25 and 30)	128,089,348	91	106,229,554	80
GROSS PROFIT	12,980,501	9	25,910,694	20
OPERATING EXPENSES (Notes 4, 25 and 30)	7,063,461	5	6,590,298	5
PROFIT FROM OPERATIONS	5,917,040	4	19,320,396	15
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 25)	1,307,531	1	374,625	-
Other gains and losses (Notes 11, 12, 13 and 25)	1,824,894	1	(1,971,900)	(1)
Finance costs (Note 25)	(2,220,960)	(1)	(2,164,174)	(2)
Share of profit or loss of subsidiaries, associates and joint ventures (Note 12)	(2,939,603)	(2)	(3,585,007)	(3)
Total non-operating income and expenses	(2,028,138)	(1)	(7,346,456)	(6)
PROFIT BEFORE INCOME TAX	3,888,902	3	11,973,940	9
INCOME TAX EXPENSE (Notes 4 and 26)	1,029,399	1	2,594,035	2
NET PROFIT FOR THE YEAR	2,859,503	2	9,379,905	7
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Gain (loss) on hedging instruments subject to basis adjustment (Notes 4, 24 and 29)	(144,906)	-	(75,214)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income (Notes 4 and 24)	8,570	-	(91,703)	-
Remeasurement of defined benefit plans (Notes 4 and 23)	28,890	-	(35,512)	-
Share of the other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method (Notes 4 and 24)	219,689	-	2,831	-
Income tax related to items that will not be reclassified subsequently to profit or loss (Note 26)	(67,750)	-	21,236	-
				(Continued)

CHINA AIRLINES, LTD.

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2022	%	2021	%
	Amount	-	Amount	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations (Notes 4 and 24)	\$ 141,415	-	\$ 17,597	-
Share of the other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method (Notes 4 and 24)	2,814	-	2,087	-
Gain (loss) on hedging instruments not subject to basis adjustment (Notes 4, 24 and 29)	(4,141,144)	(3)	264,168	-
Income tax related to items that may be reclassified subsequently to profit or loss (Note 26)	<u>799,947</u>	<u>1</u>	<u>(56,353)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>(3,152,475)</u>	<u>(2)</u>	<u>49,137</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ (292,972)</u>	<u>-</u>	<u>\$ 9,429,042</u>	<u>7</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 27)				
Basic	\$ 0.48		\$ 1.67	
Diluted	<u>\$ 0.47</u>		<u>\$ 1.54</u>	

The accompanying notes are an integral part of the financial statements.

(Concluded)

CHINA AIRLINES, LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	Share Capital		Capital Surplus		Retained Earnings		Exchange Differences on Translation of the Financial Statements of Foreign Operations	Other Equity			Total Equity
	Share Capital	Legal Reserve	Capital Surplus	Legal Reserve	Unappropriated Earnings (Accumulated Deficit)	Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		Gain (Loss) on Hedging Instruments	Treasury Shares	Total Equity	
BALANCE AT JANUARY 1, 2021	\$ 54,209,846	\$ -	\$ 1,187,327	\$ -	\$ (350,581)	\$ (134,252)	\$ 71,359	\$ 2,606,659	\$ (30,875)	\$ 57,559,483	
Basis adjustment to gain (loss) on hedging instruments	-	-	-	-	-	-	-	99,507	-	99,507	
Appropriation of 2020 earnings	-	-	(350,581)	-	350,581	-	-	-	-	-	
Capital surplus used to cover accumulated deficit	-	-	-	-	-	-	-	-	-	-	
Issuance of employee share options by subsidiaries	-	-	540	-	-	-	-	-	-	540	
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	(104,639)	-	-	-	-	(104,639)	
Net profit for the year ended December 31, 2021	-	-	-	-	9,379,905	-	-	-	-	9,379,905	
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(21,418)	14,173	(76,871)	133,253	-	49,137	
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	9,358,487	14,173	(76,871)	133,253	-	9,429,042	
Equity component of convertible bonds issued by the Company	-	-	188,862	-	-	-	-	-	-	188,862	
Convertible bonds converted to ordinary shares	5,202,397	-	1,668,381	-	-	-	-	-	-	6,870,778	
BALANCE AT DECEMBER 31, 2021	59,412,243	-	2,694,529	-	9,253,848	(120,079)	(5,512)	2,839,419	(30,875)	74,043,573	
Basis adjustment to gain (loss) on hedging instruments	-	-	-	-	-	-	-	100,687	-	100,687	
Appropriation of 2021 earnings	-	-	-	925,385	(925,385)	-	-	-	-	-	
Legal reserve	-	-	-	-	(5,000,000)	-	-	-	-	(5,000,000)	
Cash dividends - \$0.83145736 per share	-	-	-	-	-	-	-	-	-	-	
Changes in capital surplus from dividends to subsidiaries	-	-	1,725	-	-	-	-	-	-	1,725	
Net profit for the year ended December 31, 2022	-	-	-	-	2,859,503	-	-	-	-	2,859,503	
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	196,415	115,781	46,430	(3,511,101)	-	(3,152,475)	
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	3,055,918	115,781	46,430	(3,511,101)	-	(292,972)	
Convertible bonds converted to ordinary shares	723,131	-	424,050	-	-	-	-	-	-	1,147,181	
Others	-	-	-	-	-	-	-	-	-	7	
BALANCE AT DECEMBER 31, 2022	\$ 60,135,374	\$ 925,385	\$ 3,120,311	\$ 925,385	\$ 6,384,381	\$ (4,298)	\$ 40,918	\$ (570,995)	\$ (30,875)	\$ 70,000,201	

The accompanying notes are an integral part of the financial statements.

CHINA AIRLINES, LTD.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 3,888,902	\$ 11,973,940
Adjustments for:		
Depreciation expense	26,756,562	26,503,214
Amortization expense	181,662	179,111
Expected credit loss recognized on trade receivables	38,474	38,474
Interest income	(566,465)	(132,220)
Dividend income	(11,723)	(8,355)
Share of loss of subsidiaries, associates and joint ventures	2,939,603	3,585,007
(Gain) loss on disposal of property, plant and equipment	(19,911)	932,718
Gain on disposal of non-current assets held for sale	(558,477)	-
Loss on disposal of investments	-	540
Impairment loss recognized on property, plant and equipment	1,641	-
Loss on inventory and property, plant and equipment	675,274	1,391,279
Net loss (gain) on foreign currency exchange	1,580,216	(895,534)
Impairment loss on investments accounted for using the equity method	-	136,672
Finance costs	2,220,960	2,164,174
Recognition of provisions	4,958,429	5,796,335
Loss on sale and leaseback transactions	-	342,080
Others	84,406	(3,625)
Changes in operating assets and liabilities		
Notes and accounts receivable	2,515,841	(3,875,256)
Accounts receivable - related parties	(76,204)	46,950
Other receivables	(168,077)	(117,036)
Inventories	(2,504,030)	(1,009,933)
Other current assets	(913,115)	70,928
Notes and accounts payable	209,251	(278,147)
Accounts payable - related parties	(3,409)	145,603
Other payables	692,575	5,815,179
Contract liabilities	12,486,227	(927,584)
Provisions	(3,690,602)	(1,476,769)
Other current liabilities	660,685	1,474,423
Defined benefit liabilities	17,864	106,282
Other liabilities	72,384	-
Cash generated from operations	51,468,943	51,978,450
Interest received	564,084	129,028
Dividends received	317,263	213,017
Interest paid	(2,361,441)	(2,140,081)
Income tax paid	(4,402,059)	(45,987)
Net cash generated from operating activities	45,586,790	50,134,427

(Continued)

CHINA AIRLINES, LTD.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)**

	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	\$ (4,793,951)	\$ (11,956,286)
Proceeds from disposal of financial assets at amortized cost	11,923,194	5,863,137
Purchase of financial assets for hedging	(9,535,604)	(7,126,515)
Proceeds from disposal of financial assets for hedging	9,063,037	11,110,497
Acquisition of investments and joint ventures accounted for using the equity method	-	(4,527,062)
Proceeds from disposal of non-current assets held for sale	679,951	-
Payments for property, plant and equipment	(2,269,028)	(1,702,245)
Proceeds from disposal of property, plant and equipment	25,141	586,395
Increase in refundable deposits	(323,121)	(79,357)
Decrease in refundable deposits	472,380	104,584
Increase in prepayments for equipment	(24,361,989)	(12,182,071)
Increase in computer software costs	(70,281)	(66,007)
Increase in restricted assets	(28,902)	-
Net cash inflow on disposal of subsidiary	-	9,730
Net cash used in investing activities	(19,219,173)	(19,965,200)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term bill payable	-	(8,088,882)
Proceeds from issuance of bonds payable	-	4,500,000
Repayments of bonds payable	(2,525,200)	(6,300,000)
Proceeds from long-term borrowings	4,231,761	40,224,874
Repayments of long-term borrowings	(20,902,756)	(38,683,066)
Repayments of the principal portion of lease liabilities	(10,194,631)	(8,769,985)
Proceeds of guarantee deposits received	58,477	273,890
Refund of guarantee deposits received	(61,488)	(200,415)
Proceeds from sale and leaseback transactions	-	2,810,098
Dividends paid	(5,000,000)	-
Net cash used in financing activities	(34,393,837)	(14,233,486)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(394,070)	17,556
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(8,420,290)	15,953,297
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	35,913,117	19,959,820
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ 27,492,827	\$ 35,913,117

The accompanying notes are an integral part of the financial statements.

(Concluded)

CHINA AIRLINES, LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

China Airlines, Ltd. (the "Company") was founded in 1959 and its shares have been listed on the Taiwan Stock Exchange since February 26, 1993. The Company is primarily involved in (a) air transport services for passengers, cargo and mail; (b) ground services and routine aircraft maintenance; (c) major maintenance of flight equipment; (d) communications and data processing services to other airlines; (e) the sale of aircraft parts, equipment and the entire aircraft; and (f) leasing of aircraft.

The major shareholders of the Company are China Aviation Development Foundation (CADF) and National Development Fund (NDF), Executive Yuan. As of December 31, 2022 and 2021, CADF and NDF jointly held 39.69% and 40.17%, respectively of the Company's shares. For the years ended December 31, 2022 and 2021, the average number of employees of the Company was 10,794 and 11,078, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company's board of directors on March 9, 2023.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company's accounting policies.

b. The IFRSs endorsed by the FSC for application starting from 2023

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occurred on or after January 1, 2022.

The application of new IFRSs endorsed by the FSC for application starting from 2023 would not have any material impact on the Company's accounting policies. As of the date the financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

c. The IFRSs in issue but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact of the application of other standards and interpretations on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial reports have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- c. Level 3 inputs are unobservable inputs for an asset or liability.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, associates and joint ventures, the share of other comprehensive income of subsidiaries, associates and joint ventures and the related equity items, as appropriate, in these parent company only financial statements.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within 12 months after the reporting period; and
- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
 - b. Liabilities due to be settled within 12 months after the reporting period; and
 - c. Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.
- Assets and liabilities that are not classified as current are classified as non-current.

Foreign Currencies

In preparing the Company's financial reports, transactions in currencies other than the Company's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for exchange differences on:

- a. Foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- b. Transactions entered into in order to hedge certain foreign currency risks.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purposes of presenting financial reports, the assets and liabilities of the Company's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Inventories

Inventories are primarily expendable and nonexpendable parts and materials, supplies used in operations and items for in-flight sale and are stated at the lower of cost or net realizable value. The costs of inventories sold or consumed are determined using the weighted-average method.

Non-current Assets Held for Sale

Non-current assets are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Such assets classified as held for sale are not depreciated.

Investments Accounted for Using the Equity Method

The Company uses the equity method to account for its investments in subsidiaries, associates and joint ventures.

- a. Investment in subsidiaries
- A subsidiary is an entity (including a structured entity) that is controlled by the Company.
- Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted therefore to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the change in Company's share of the other equity of the subsidiary.
- Changes in the Company's ownership interests in a subsidiary that do not result in the Company losing control of the subsidiaries are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amounts of the investment and the fair value of the consideration paid or received.
- When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses, if any.
- Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss.
- The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.
- When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.
- Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.
- b. Investments in associates and joint ventures
- An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor an interest in a joint venture. A joint venture is a joint arrangement whereby the Company and other parties that have joint control of the arrangement and the rights to the net assets of the arrangement.

The Company uses the equity method to account for its investments in associates and joint ventures. Under the equity method, investments in an associate and a joint venture are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate and joint venture. The Company also recognizes the changes in the Company's share of equity of associates and joint ventures attributable to the Company.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate and a joint venture recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of an associate and a joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate and joint venture. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Company's ownership interest is reduced due to its additional subscription of the new shares of the associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate and a joint venture equals or exceeds its interest in that associate and joint venture (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate and joint venture), the Company discontinues recognizing its share of further loss. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and joint venture. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required had that associate directly disposed of the related assets or liabilities.

When the Company transacts with its associate and joint venture, profits and losses resulting from the transactions with the associate and joint venture are recognized in the Company's financial statements only to the extent of interests in the associate and the joint venture that are not related to the Company.

Property, Plant and Equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used for more than one period. The cost of an item of property, plant and equipment shall be recognized as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. Property, plant and equipment are stated at cost less recognized accumulated depreciation and recognized accumulated impairment loss.

Freehold land is not depreciated.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period. The impact of any changes in accounting estimates is accounted for on a prospective basis under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors".

An item of property, plant and equipment will be derecognized upon its disposal, or when no future benefits can be expected from its use or disposal. On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

An investment property will be derecognized upon its disposal, or when no future benefits can be expected from its use or disposal. On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Company expects to dispose of the intangible asset before the end of its economic life. The impact of any changes in accounting estimates is accounted for on a prospective basis under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis; otherwise, corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the Company uses the estimated cash flows discounted by the future pre-tax discount rate, and the discount rate reflects the current market time value of money and the specific risks to the asset for estimated future cash flows not yet adjusting to the market.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments, with the resulting impairment loss recognized in profit or loss.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss included in the initially recognized amount of financial assets or financial liabilities

a. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. All regular way purchases or sales of financial assets are buy or sell of financial assets in the period set by regulation or market convention.

1) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value, and any remeasurement gains or losses on such financial assets are recognized in profit or loss. Fair value is determined in the manner described in Note 29.

- b) Financial assets at amortized cost
- Financial assets that meet the following conditions are subsequently measured at amortized cost:
- i. The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
 - ii. The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables, other receivables and other financial assets, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.
- Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.
- Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.
- c) Investments in equity instruments at FVTOCI
- On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if an equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.
- Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings.
- Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of an investment.
- 2) Impairment of financial assets
- The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), as well as contract assets.
- The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables and other receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represents the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

3) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

b. Equity instruments

Equity instruments issued by the Company are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity, and its carrying amounts are calculated based on weighted average by share types. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

c. Financial liabilities

1) Subsequent measurement

Except for derivative financial instruments, all financial liabilities are measured at amortized cost using the effective interest method.

2) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

d. Convertible bonds

The component parts of compound instruments (i.e. convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

e. Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate, foreign exchange rate and fuel price risks, including foreign exchange forward contracts, interest rate swaps, currency options and fuel options and swaps.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset, when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not measured at FVTPL.

Hedge Accounting

The Company designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as cash flow hedges. When entering into hedging transactions, the Company has prepared official documents that describe the hedging relationship between hedging instruments and items which have been hedged, the objective of risk management, the hedging strategy, and the way to evaluate the effectiveness of the hedging instrument.

The effective portion of gains and losses on derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gains or losses relating to the ineffective portion are recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as reclassification adjustments in the line items relating to the hedged item in the same period in which the hedged item affects profit or loss. If a hedge of a forecasted transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and included in the initial cost of the non-financial asset or non-financial liability.

The Company discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period (in which the hedge was effective) remains separately in equity until the forecasted transaction occurs. When a forecasted transaction is no longer expected to occur, the gains or losses accumulated in equity are recognized immediately in profit or loss.

Provisions

The Company recognizes provisions when the Company has a present obligation (legal or constructive obligation) arising from past events, the payment for the obligation is probable, and the expenditure for settling the obligation can be reliably estimated.

The amount recognized as a provision is measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured at the estimate of the cash flows to settle the present obligation, its carrying amount is the present value of those cash flows. When the aircraft lease contracts of the Company expire and will be returned to lessor, the Company will assess if there are existing obligations and if a provision is required to be recognized when signing the lease contract.

Revenue Recognition

The Company recognizes revenue by applying the following steps:

- Identifying the contract with the customer;
- Identifying the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the Company satisfies a performance obligation.

Shipping service revenue

Passenger and cargo revenue are recognized as revenue when the passengers and goods are actually carried. When the tickets are sold, due to the fact that the fulfillment of performance obligations of the shipment have not been met, the relevant amount of revenue is initially recorded as contract liabilities until passengers actually board.

Leasing

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Company by the end of the lease terms or if the costs of right-of-use assets reflect that the Company will exercise a purchase option, the Company depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amount expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

The Company negotiates with the lessor for rent concessions as a direct consequence of Covid-19 to change the lease payments originally due by June 30, 2022, which results in the revised consideration for the lease substantially less than the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Company elects to apply the practical expedient to all of these rent concessions for the abovementioned lease contracts, and therefore, does not assess whether the rent concessions are lease modifications. Instead, the Company recognizes the reduction in lease payment in profit or loss in the period in which the events or conditions that trigger the concession occurs and makes a corresponding adjustment to the lease liability.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

For sale and leaseback transactions, if the transfer of an asset satisfies the requirements of IFRS 15 to be accounted for as a sale, the Company recognizes only the amount of any gain or loss which relates to the rights transferred to the buyer-lessor, and adjusts the off-market terms to measure the sale proceeds at fair value. If the transfer does not satisfy the requirements of IFRS 15 to be accounted for as a sale, it is accounted for as a financing transaction.

Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

b. Retirement benefits

Payments to the defined contribution retirement benefit plan are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined retirement benefit plan are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government Grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs that the grants intend to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they are received.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

Frequent Flyer Programs

The Company has a "Dynasty Flyer Program" through which program members can convert accumulated mileage to a cabin upgrade, free tickets and other member rewards.

A portion of passenger revenue attributable to the rewards for the frequent flyer program is deferred. The Company recognizes this deferred revenue as revenue only when the Company has fulfilled its obligations on the granting of rewards or when the period for converting the mileage to rewards has expired.

Share-based Payment Arrangements

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instrument that will eventually vest, with a corresponding increase in capital surplus - employee share options. The fair value determined at the grant date of the equity-settled share-based payments is recognized as an expense in full at the grant date when the granted share options are vested immediately.

Taxation

Income tax expense represents the sum of the current tax and deferred tax.

a. Current tax

The current tax liabilities are based on current taxable profit. Since part of the income and expenses are taxable or deductible in other periods, or in accordance with the relevant tax laws are taxable or deductible, current taxable profit differs from net profit reported in the statements of comprehensive income. The Company's current tax liabilities are calculated by the tax rate was legislated or substantially legislated at the balance sheet date.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve the retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profit against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the

Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

Maintenance and Overhaul Costs

Routine maintenance costs are recognized in profit or loss in the period in which they are incurred.

The overhaul costs of an owned or leased aircraft that meet the criteria for fixed asset capitalization are capitalized as replacements for aircraft and engines and are depreciated on a straight line basis over the expected annual overhaul cycle.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies as disclosed in Note 4, management is required to make judgments, estimations and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other source. The estimates and associated assumptions are based on historical experience assumptions and other factors that are consider relevant. Actual results may differ from these estimates.

The Company considers the possible impact of the recent development of the COVID-19 and its economic environment implications when making its critical accounting estimates on cash flows, growth rates, discount rates, profit abilities, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Defined Benefit Obligations

The present value of defined benefit obligations at the end of the reporting period is calculated using actuarial assumptions. Those assumptions, which are based on management's judgments and estimates, comprise the discount rate and expected return on plan assets. Changes in actuarial assumptions may have a material impact on the amount of defined benefit obligations.

Useful Lives of Property, Plant and Equipment – Flight Equipment

Flight equipment are measured at cost less residual value and are depreciated on a straight-line basis over their estimated useful lives. The estimated useful lives and residual values are evaluated based on the Company's historical experience and current usage condition in the aviation industry. Because of the change in fleet planning, the Company's board of directors resolved to modify the estimated useful lives of fourteen B747-400F freighters from 25 years to 24 years and the estimated useful lives of three A330-300 aircraft from 20 years to 18 years, effective on January 1, 2022, in order to match the economic benefits with the useful lives. It is estimated that the depreciation expense in 2022 will increase by \$720 million.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand and revolving funds	\$ 45,097	\$ 36,905
Checking accounts and demand deposits	4,898,695	22,579,423
Cash equivalents		
Time deposits with original maturities of less than three months	17,572,393	9,279,778
Repurchase agreements collateralized by bonds	<u>4,976,642</u>	<u>4,017,011</u>
	<u>\$ 27,492,827</u>	<u>\$ 35,913,117</u>

The market rate intervals of cash in banks and cash equivalents at the end of the reporting period were as follows:

	December 31	
	2022	2021
Bank balance	0.33%-1.00%	0.00%-1.90%
Time deposits with original maturities of less than three months	1.27%-4.95%	0.17%-0.39%
Repurchase agreements collateralized by bonds	1.15%-4.70%	0.35%-0.45%

The Company designated some deposits denominated in USD and repurchase agreements denominated in USD collateralized by bonds as hedging instruments to avoid exchange rate fluctuations on final payments of aircraft orders and prepayments for equipment, and applied cash flow hedge accounting to hedge its foreign exchange exposure. The contract information is as follows:

	Maturity Date	Subject	Carrying Value
December 31, 2022	2023.1.3-2023.1.19	Financial assets for hedging - current	\$ 3,987,730
December 31, 2021	2022.2.7-2022.2.14	Financial assets for hedging - current	3,545,706

Impact on comprehensive income (loss)

	Recognized in Other Comprehensive Income (Loss)
For the year ended December 31, 2022	\$ (40,217)
For the year ended December 31, 2021	(75,214)

For the years ended December 31, 2022 and 2021, the amount of hedging instrument settlements recognized as prepayments for equipment was \$101,626 thousand and \$99,507 thousand, respectively.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments

	December 31	
	2022	2021
<u>Non-current</u>		
Foreign investments	\$ 22,900	\$ 26,654
Unlisted shares		
Domestic investments	<u>41,128</u>	<u>28,804</u>
Unlisted shares	<u>\$ 64,028</u>	<u>\$ 55,458</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium- to long-term strategic purposes and are expected to profit through long-term investments. Accordingly, the management elected to designate these investments in equity instruments as at FVOCI as they believe that recognizing short-term fluctuations in these investments' fair values in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2022	2021
<u>Current</u>		
Time deposits with original maturities of more than 3 months	<u>\$ 4,764,601</u>	<u>\$ 11,923,194</u>

The range of interest rates for time deposits with original maturities of more than 3 months were approximately 0.45%-5.05% and 0.37%-0.53% per annum as of December 31, 2022 and 2021, respectively.

9. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2022	2021
<u>Notes receivable</u>	<u>\$ 71,848</u>	<u>\$ 968</u>
<u>Accounts receivable</u>		
At amortized cost	10,688,166	13,193,912
Gross carrying amount	<u>(230,350)</u>	<u>(204,481)</u>
Less: Allowance for impairment loss	<u>10,457,816</u>	<u>12,989,431</u>
	<u>\$ 10,529,664</u>	<u>\$ 12,990,399</u>

The average credit period was 7 to 55 days. In determining the recoverability of a accounts receivable, the Company considered any change in the credit quality of the receivable since the date credit was initially granted to the end of the reporting period, and any allowance for impairment loss was based on the estimated irrecoverable amounts determined by reference to the Company's past default experience with the counterparty and an analysis of the counterparty's current financial position. The Company adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from independent rating agencies where available or, if not available, the Company uses other publicly available financial information or its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Company applies the simplified approach to allowing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss allowance for all account receivables. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience with the debtors and an analysis of the debtors' current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the loss allowance based on the past due status is not further distinguished according to the different segments of the Company's customer base.

The Company writes off accounts receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the past due receivables. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of account receivables based on the Company's provision matrix.

	<u>December 31, 2022</u>					Total
	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	Over 90 Days Past Due	
Expected credit loss rate	1.07%	5.22%	46.64%	46.42%	99.14%	
Gross carrying amount	\$ 10,527,938	\$ 41,208	\$ 3,317	\$ 517	\$ 115,186	\$ 10,688,166
Loss allowance (lifetime ECLs)	(1,112,215)	(2,151)	(1,547)	(240)	(114,197)	(230,350)
Amortized cost	\$ 10,415,723	\$ 39,057	\$ 1,770	\$ 277	\$ 989	\$ 10,457,816

	<u>December 31, 2021</u>					Total
	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	Over 90 Days Past Due	
Expected credit loss rate	0.55%	4.21%	50.17%	100%	100%	
Gross carrying amount	\$ 13,047,164	\$ 12,970	\$ 3,794	\$ 2,486	\$ 127,498	\$ 13,193,912
Loss allowance (lifetime ECLs)	(2,042)	(546)	(1,904)	(2,586)	(127,498)	(204,481)
Amortized cost	\$ 12,975,117	\$ 12,424	\$ 1,890	\$ -	\$ -	\$ 12,989,431

The movements of the loss allowance of accounts receivables were as follows:

	<u>For the Year Ended December 31</u>	
	2022	2021
Balance at January 1	\$ 204,481	\$ 165,722
Add: Net remeasurement of loss allowance	38,474	38,474
Add: Amounts recovered	208	565
Less: Amounts written off	(12,813)	(280)
Balance at December 31	\$ 230,350	\$ 204,481

10. INVENTORIES, NET

	<u>December 31</u>	
	2022	2021
Aircraft spare parts	\$ 9,645,991	\$ 7,230,203
Items for in-flight sale	620,680	616,051
Work in process - maintenance services	301,368	534,073
	\$ 10,568,039	\$ 8,380,327

The operating costs for the years ended December 31, 2022 and 2021 included losses from inventory write-downs of \$243,088 thousand and \$731,317 thousand, respectively.

11. NON-CURRENT ASSETS HELD FOR SALE

	<u>December 31</u>	
	2022	2021
Aircraft held for sale	\$ -	\$ 36,719

To enhance its competitiveness, the Company plans to introduce new aircraft and retire old aircraft according to a planned schedule. Such aircraft, classified as non-current assets held for sale, had an original carrying amount which was higher than the expected sale price and which was recognized as an impairment loss, and would be continuously assessed whether there are further impairments in subsequent periods. However, the actual loss shall be identified by the actual sale price.

The fair value measurement is classified as Level 3 and the fair value was determined according to similar transactions of the related market and the proposed sale prices were based on the current status of the aircraft.

The Company disposed of the aircraft held for sale in 2022 and recognized a gain of \$558,477 thousand.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	2021
Investments in subsidiaries	\$ 9,390,430	\$ 12,147,062
Investments in associates	-	-
Investments in joint ventures	<u>560,102</u>	<u>682,963</u>
	<u>\$ 9,950,532</u>	<u>\$ 12,830,025</u>

a. Investment in subsidiaries

	December 31	2021
<u>Unlisted companies</u>		
Tigerair Taiwan Co., Ltd.	\$ 725,747	\$ 2,955,909
CAL Park	1,728,454	1,656,167
Mandarin Airlines	1,196,733	1,787,355
CAL-Dynasty International	1,359,724	1,169,505
Taiwan Air Cargo Terminal	1,790,921	1,691,853
Taoyuan International Airport Services	424,527	613,697
CAL-Asia Investment	617,106	514,959
Sabre Travel Network (Taiwan)	185,935	190,694
CAL Hotel	304,948	335,242
Taiwan Airport Services	102,745	137,378
Dynasty Aerotech International Corp.	144,523	147,608
Taiwan Aircraft Maintenance and Engineering Co., Ltd.	451,322	557,917
Global Sky Express	8,256	7,630
Kaohsiung Catering Services	<u>349,489</u>	<u>381,148</u>
	<u>\$ 9,390,430</u>	<u>\$ 12,147,062</u>

At the end of the reporting period, the proportion of ownership and voting rights in subsidiaries held by the Company were as follows:

	December 31	2021
Tigerair Taiwan Co., Ltd.	78%	78%
Taiwan Air Cargo Terminal	54%	54%
CAL Park	100%	100%
Mandarin Airlines	97%	97%
CAL-Dynasty International	100%	100%
Taoyuan International Airport Services	49%	49%
CAL-Asia Investment	100%	100%
Sabre Travel Network (Taiwan)	94%	94%
Taiwan Airport Services	47%	47%
CAL Hotel	100%	100%
Dynasty Aerotech International Corp.	100%	100%
Taiwan Aircraft Maintenance and Engineering Co., Ltd.	100%	100%
Global Sky Express	25%	25%
Kaohsiung Catering Services	54%	54%

The Company has control over Taoyuan International Airport Service, Taiwan Airport Service and Global Sky Express despite its ownership of less than 50%. Therefore, they were listed as subsidiaries.

Tigerair Taiwan Co., Ltd. planned to issue ordinary shares for cash to meet the needs for funds. The board of directors of the Company approved the plan to issue ordinary shares for cash at \$25 per share on August 5, 2021. The Company subscribed for 101,212 thousand shares in September 2021. The proportion of ownership of the Group increased to 82%. Because the shares were subscribed at a percentage different from its existing ownership percentage, the Company's retained earnings decreased by \$54,449 thousand.

To strengthen the capital structure of Tigerair Taiwan Co., Ltd., the board of directors of the Company resolved the plan to issue ordinary shares for cash on February 13, 2023. The Company planned to issue 36,000 thousand shares, at \$25 per share. The total new shares of 85% to be issued will be subscribed by the original shareholders in proportion to their shareholdings as stated in the register of shareholders on the basis of the share options.

In addition, Tigerair Taiwan Co., Ltd. applied for a listing on the Taiwan Innovation Board of the Taiwan Stock Exchange on December 21, 2022. The board of directors of the Taiwan Stock Exchange reviewed the listing application on February 21, 2023. The result of the review was approved and it will be reported to the competent authority.

To strengthen the capital structure of Mandarin Airlines, the board of directors of the Company approved the plan to issue ordinary shares for cash at \$10 per share on August 26, 2021. The Company subscribed for 199,677 thousand shares in September 2021. The proportion of ownership of the Group increased to 97%. Because the shares were subscribed at a percentage different from its existing ownership percentage, the Company's retained earnings decreased by \$50,190 thousand.

In November 2022, Taiwan Aircraft Maintenance and Engineering Co., Ltd. made up a loss of \$140,000 thousand by capital reduction; the proportion of ownership of the Company remained unchanged.

In December 2022, Cal Hotel Co., Ltd. made up a loss of \$130,200 thousand by capital reduction; the proportion of ownership of the Company remained unchanged.

The liquidation of Yestrip Co., Ltd. was completed on April 22, 2021, and the Company recognized a liquidation loss of \$540 thousand.

The share of profit or loss of subsidiaries recognized under the equity method was as follows:

	For the Year Ended December 31	2021
Share of profit (loss)	<u>\$ (2,798,672)</u>	<u>\$ (3,103,103)</u>
b. Investments in associates		
The investments in associates were as follows:		
<u>Unlisted companies</u>	December 31	2021
China Aircraft Services	\$ -	\$ -
Dynasty Holidays	-	-
	<u>\$ -</u>	<u>\$ -</u>

At the end of the reporting period, the proportion of ownership and voting rights in associates held by the Company were as follows:

	December 31	2021
China Aircraft Services	-	20%
Dynasty Holidays	20%	20%

The investment (loss) gain recognized for associates accounted for using the equity method was as follows:

	For the Year Ended December 31	2021
	2022	2021
China Aircraft Services	\$ -	\$ (269,573)
Dynasty Holidays	-	(1,436)
	\$ -	\$ (271,009)

China Aircraft Services issued ordinary shares to meet the needs for funds in March 2022. The Group did not participate in the subscription, so the proportion of ownership of the Group decreased from 20% to 4% and the Group lost significant influence over China Aircraft Services. Therefore, the investment in China Aircraft Services which was initially classified as investments accounted for using the equity method was reclassified as financial assets at fair value through other comprehensive income since March 2022.

Dynasty Holidays was classified as associate accounted for using the equity method. On May 31, 2022, the provisional shareholders' meeting was held and the shareholders resolved to dissolve Dynasty Holidays and the liquidation process is in progress in accordance with Japanese regulations.

c. Investments in joint ventures

The investments in joint ventures were as follows:

	December 31	2021
	2022	2021
China Pacific Catering Services	\$ 448,222	\$ 533,251
China Pacific Laundry Services	92,684	120,876
NORDAM Asia	19,196	28,836
	\$ 560,102	\$ 682,963

At the end of the reporting period, the proportion of ownership and voting rights in joint ventures held by the Company was as follows:

	December 31	2021
	2022	2021
China Pacific Catering Services	51%	51%
China Pacific Laundry Services	49%	55%
NORDAM Asia		49%

The Company entered into a joint venture agreement with Taikoo Company to invest in China Pacific Catering Services and China Pacific Laundry Services. According to the agreement, both sides have the right to make major motion vetoes on the board of directors, and therefore, the Company does not have control.

The investment (loss) gain recognized for joint ventures accounted for using the equity method was as follows:

	December 31	2021
	2022	2021
China Pacific Catering Services	\$ (104,360)	\$ (172,546)
China Pacific Laundry Services	(26,931)	(29,418)
NORDAM Asia	(9,640)	(8,931)
	\$ (140,931)	\$ (210,895)

The Company's shares of other comprehensive income of subsidiaries, associates and joint ventures were \$222,503 thousand and \$4,918 thousand for the years ended 2022 and 2021, respectively.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of subsidiaries, associates, and joint ventures were based on these investees' financial statements which have been audited.

For information on the major businesses and products and the locations of registration for the major business offices of the above entities, refer to Table 6 (names, locations, and related information of investees on which the Company exercises significant influence) and Table 7 investment in mainland China following the notes to the financial statements.

13. PROPERTY, PLANT AND EQUIPMENT

Cost	Freehold Land	Buildings	Flight Equipment	Others	Total
Balance at January 1, 2021	\$ 181,593	\$ 7,033,571	\$ 275,604,164	\$ 6,564,750	\$ 289,384,078
Additions	-	47,818	1,185,464	468,963	1,702,245
Disposals	-	-	(46,086,944)	(71,274)	(46,158,218)
Reclassification	-	181,818	10,347,647	(166,717)	10,362,748
Balance at December 31, 2021	\$ 181,593	\$ 7,263,207	\$ 241,050,331	\$ 6,795,722	\$ 255,290,853
Accumulated depreciation and impairment					
Balance at January 1, 2021	\$ -	\$ (3,867,341)	\$ (153,413,840)	\$ (5,688,435)	\$ (162,969,616)
Depreciation expense	-	(181,641)	(15,776,982)	(291,085)	(16,249,708)
Disposals	-	-	39,169,370	69,765	39,239,135
Reclassification	-	-	(136,004)	(112)	(136,116)
Balance at December 31, 2021	\$ -	\$ (4,048,982)	\$ (130,157,456)	\$ (5,909,867)	\$ (140,116,305)
Balance at December 31, 2021, net value	\$ 181,593	\$ 3,214,225	\$ 110,892,875	\$ 885,855	\$ 115,174,548

(Continued)

14. INVESTMENT PROPERTIES

	December 31	
	2022	2021
Carrying amount		
Investment properties	\$ 2,047,448	\$ 2,047,448

The investment properties held by the Company were land located in Nankan, which were leased to others.

The fair value of the investment properties held by the Company were both \$2,456,472 thousand as of December 31, 2022 and 2021, respectively. The fair value valuation was performed by independent qualified professional valuers, and the future income evaluated by management was based on market transactions. All of the Company's investment properties were held under freehold interest.

15. OTHER INTANGIBLE ASSETS

	Computer Software Costs	Accumulated Amortization	Net Value
Balance at January 1, 2021	\$ 1,547,787	\$ (680,334)	\$ 867,453
Additions	66,007	-	66,007
Amortization expense	-	(179,111)	(179,111)
Balance at December 31, 2021	<u>\$ 1,613,794</u>	<u>\$ (859,445)</u>	<u>\$ 754,349</u>
Balance at January 1, 2022	\$ 1,613,794	\$ (859,445)	\$ 754,349
Additions	70,281	-	70,281
Amortization expense	-	(181,662)	(181,662)
Reclassification	(48,334)	59,962	11,628
Balance at December 31, 2022	<u>\$ 1,635,741</u>	<u>\$ (981,145)</u>	<u>\$ 654,596</u>

The above items of other intangible assets are amortized on a straight-line basis over 2-10 years.

16. OTHER ASSETS

	December 31	
	2022	2021
Current		
Temporary payments	\$ 68,140	\$ 24,846
Prepayments	926,426	175,433
Others	<u>314,246</u>	<u>188,912</u>
	<u>\$ 1,308,812</u>	<u>\$ 389,191</u>

(Continued)

Cost	Freehold Land	Buildings	Flight Equipment	Others	Total
Balance at January 1, 2022	\$ 181,593	\$ 7,263,207	\$ 241,050,331	\$ 6,795,722	\$ 255,290,853
Additions	-	46,652	1,539,855	682,521	2,269,028
Disposals	-	(23,947)	(2,770,427)	(184,054)	(2,978,408)
Reclassification	-	-	9,821,276	(6,523)	9,814,703
Balance at December 31, 2022	<u>\$ 181,593</u>	<u>\$ 7,285,912</u>	<u>\$ 249,641,035</u>	<u>\$ 7,287,656</u>	<u>\$ 264,396,176</u>
Accumulated depreciation and impairment					
Balance at January 1, 2022	\$ -	\$ (4,048,982)	\$ (130,157,456)	\$ (5,909,867)	\$ (140,116,305)
Depreciation expense	-	(185,841)	(14,980,619)	(318,586)	(15,485,006)
Disposals	-	23,947	2,453,503	183,886	2,661,336
Reclassification	-	-	3,315,902	(110)	3,315,792
Impairment losses recognized	-	-	(1,641)	-	(1,641)
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ (4,210,876)</u>	<u>\$ (113,937,311)</u>	<u>\$ (6,044,657)</u>	<u>\$ (119,625,824)</u>
Balance at December 31, 2022, net value	<u>\$ 181,593</u>	<u>\$ 3,075,036</u>	<u>\$ 110,270,724</u>	<u>\$ 1,242,999</u>	<u>\$ 114,770,352</u>

(Concluded)

Reclassification is mainly resulted from the transfer of prepayments for equipment.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the asset as follows:

Building	45-55 years
Main buildings	10-25 years
Others	25 years
Machinery and equipment	3-13 years
Electro-mechanical equipment	3-15 years
Others	5 years
Office equipment	3-5 years
Leasehold improvements	
Building improvements	
Others	
Flight equipment and equipment under finance leases	
Airframes	18-25 years
Aircraft cabins	10-20 years
Engines	12-20 years
Heavy maintenance on aircraft	6-8 years
Engine overhauls	3-10 years
Landing gear overhauls	8-12 years
Repairable spare parts	3-15 years
Leased aircraft improvements	5-12 years

Refer to Note 31 for the carrying amounts of aircraft equipment and right-of-use assets pledged by the Company.

Based on the particularity of risk in the aviation industry, all of the Company's assets such as aircraft, real estate, and movable property are adequately insured to diversify the potential risk related to operations.

The Company disposed of a portion of flight equipment and recognized a loss of \$950,980 thousand for the three months ended June 30, 2021.

In accordance with the "Regulations on Relief and Revitalization Measures for Industries and Enterprises Affected by Severe Pneumonia with Novel Pathogens" endorsed by the Ministry of Transportation and Communications and the "Operational Guides on Relief Loan Guarantees for Ailing Aviation Industry Affected by Severe Pneumonia with Novel Pathogens", the Company applied for a special loan project to maintain its operation, and the fund along with subsidized interest rates were provided by the government. The total amount of the loans is \$29,350 million, which shall be repaid within 2 years and 4 years from the date of initial drawdown. As of December 31, 2022, the Company had made a drawdown in the amount of \$29,350 million and repaid \$11,300 million of the drawdown.

18. BONDS PAYABLE

	2022	2021
Unsecured corporate bonds first-time issued in 2017	\$ 1,000,000	\$ 1,000,000
Unsecured corporate bonds second-time issued in 2017	-	1,300,000
Unsecured corporate bonds first-time issued in 2018	3,275,000	4,500,000
Unsecured corporate bonds first-time issued in 2019	3,500,000	3,500,000
Convertible bonds sixth-time issued	-	379,284
Convertible bonds seventh-time issued	2,224,674	2,970,742
	<u>9,999,674</u>	<u>13,650,026</u>
	<u>2,350,000</u>	<u>2,525,000</u>
	<u>\$ 7,649,674</u>	<u>\$ 11,125,026</u>

Less: Current portion and put option of convertible bonds

Related issuance conditions were as follows:

Category	Period	Conditions	Rate (%)
Seven-year private unsecured bonds - issued at par in May 2017; repayable on due date; interest of 1.75% p.a., payable annually	2017.05.19-2024.05.19	Principal repayable on due date; indicator rate; payable annually	1.75
Five-year private unsecured bonds - issued at par in October 2017; repayable in October 2021 and 2022; 1.45% interest p.a., payable annually	2017.10.12-2022.10.12	Principal repayable in October of 2021 and 2022; indicator rate; payable annually	1.45
Five-year private unsecured bonds - issued at par in November 2018; repayable in November 2022 and 2023; 1.32% interest p.a., payable annually	2018.11.30-2023.11.30	Principal repayable in November of 2022 and 2023; indicator rate; payable annually	1.32
Seven-year private unsecured bonds - issued at par in November 2018; repayable in November 2024 and 2025; 1.45% interest p.a., payable annually	2018.11.30-2025.11.30	Principal repayable in November of 2024 and 2025; indicator rate; payable annually	1.45
Five-year private unsecured bonds - issued at par in June 2019; repayable in June 2023 and 2024; 1.10% interest p.a., payable annually	2019.06.21-2024.06.21	Principal repayable in June of 2023 and 2024; indicator rate; payable annually	1.10
Seven-year private unsecured bonds - issued at par in June 2019; repayable in June 2025 and 2026; 1.32% interest p.a., payable annually	2019.06.21-2026.06.21	Principal repayable in June of 2025 and 2026; indicator rate; payable annually	1.32

(Continued)

	December 31 2022	December 31 2021
Prepayments for aircraft	\$ 17,879,206	\$ 8,058,743
Prepayments - long-term	4,009,828	1,116,502
Refundable deposits	409,277	548,674
Restricted Assets	62,598	-
Other financial assets	<u>14,797</u>	<u>18,497</u>
	<u>\$ 22,375,706</u>	<u>\$ 9,742,416</u>
		(Concluded)

The prepayments for aircraft comprised the prepaid deposits and capitalized interest from the purchase of A321neo, B777F and B787-9 aircraft. For details of the contract for the purchase of the aircraft, refer to Note 32.

17. BORROWINGS

Long-term Borrowings

	December 31 2022	December 31 2021
Unsecured bank loans	\$ 18,550,000	\$ 30,850,000
Secured bank loans	29,579,243	29,232,563
Commercial paper	20,400,000	25,100,000
Proceeds from issuance	<u>44,593</u>	<u>26,918</u>
Less: Unamortized discounts	<u>68,484,650</u>	<u>85,155,645</u>
	<u>11,733,508</u>	<u>8,351,129</u>
Less: Current portion	<u>\$ 56,751,142</u>	<u>\$ 76,804,516</u>
Interest rates	1.29%-1.90%	0.81%-1.22%

Secured bank loans are secured by flight equipment, refer to Note 31.

Bank loans (denominated in New Taiwan dollars) are repayable quarterly, semiannually or in lump sum upon maturity. The related information is summarized as follows:

	December 31 2022	December 31 2021
Periods	2016/10/18-2034/10/12	2016/6/27-2032/6/30

The Company has note issuance facilities (NIFs) obtained from certain financial institutions. The NIFs, with various maturities until September 2026, were used by the Company to guarantee commercial paper issued. As of December 31, 2022 and 2021, such commercial papers were issued at discount rates of 1.6830%-1.9013% and 0.985%-1.0907%, respectively.

Category	Period	Conditions	Rate (%)
Five-year convertible bonds - issued at discount in January 2018; repayable in lump sum upon maturity; 1.3821% discount rate p.a.	2018.01.30- 2023.01.30	Unless bonds are converted to share capital or redeemed, principal repayable one time in January of 2023; 1.3821% discount rate p.a.	-
Five-year convertible bonds - issued at discount in April 2021; repayable in lump sum upon maturity; 0.8612% discount rate p.a.	2021.04.28- 2026.04.28	Unless bonds are converted to share capital or redeemed, principal repayable one time in April of 2026; 0.8612% discount rate p.a.	(Concluded)

The Company issued the sixth issue of its unsecured convertible bonds, and the issuance conditions were as follows:

- The holders may demand a lump-sum payment for the bonds upon maturity.
- The holders can request that the Company repurchase their bonds at face value on the third anniversary of the offering date. The holders can exercise the right to sell on January 30, 2021.
- The Company may redeem the bonds at face value between April 30, 2018 and December 20, 2022 under certain conditions. The Company resolved to exercise the right of redemption on January 14, 2022. The reference date of redemption of the bonds is March 9, 2022 and the actual face value of redemption is \$200 thousand.
- Between April 30, 2018 and January 30, 2023 (except for the period between the former dividend date and the date of the dividend declaration on record), holders may convert their bonds into the Company's ordinary shares. The initial conversion price was set at NT\$13.2, which is subject to adjustment if there is a capital injection by cash, share dividend distribution, and the proportion of cash dividends per share in market price exceeding 1.5%. Because the Company distributed cash dividends as of July 29, 2019, the conversion price was adjusted to NT\$12.6. As of reference date of redemption of the bonds which was on March 9, 2022, a total face value of \$5,999,800 thousand of convertible bonds was converted into 476,174 thousand ordinary shares of the Company.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The effective interest rate of the liability component was 1.3821% per annum on initial recognition.

	December 31	
	2022	2021
Proceeds from issuance	\$ 6,012,000	
Equity component	<u>(409,978)</u>	
Liability component at the date of issuance	5,602,022	
Interest charged at an effective interest rate	283,207	
Convertible bonds converted into ordinary shares	<u>(5,505,945)</u>	
Liability component at December 31, 2021	379,284	
Interest charged at an effective interest rate	815	
Convertible bonds converted into ordinary shares	<u>(379,901)</u>	
Redeemed convertible bonds	<u>(198)</u>	
Liability component at December 31, 2022	<u>\$ -</u>	

The Company issued the seventh issue of its unsecured convertible bonds, and the issuance conditions were as follows:

- The holders may demand a lump-sum payment for the bonds upon maturity.
- The holders can request that the Company repurchase their bonds at face value on the third anniversary of the offering date. The holders can exercise the right to sell on April 28, 2024.
- The Company may redeem the bonds at face value between July 28, 2021 and March 18, 2026 under certain conditions.
- Between July 28, 2021 and April 28, 2026 (except for the period between the former dividend date and the date of the dividend declaration on record), holders may convert their bonds into the Company's ordinary shares. The initial conversion price was set at NT\$19 per share, which is subject to adjustment if there is a capital injection by cash or share dividend distribution. Because the Company distributed cash dividends on July 12, 2022, the conversion price was adjusted to NT\$18.3. As of December 31, 2022, a total face value of \$2,211,200 thousand of convertible bonds was converted into 116,379 thousand ordinary shares of the Company.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The effective interest rate of the liability component was 0.8612% per annum on initial recognition.

Proceeds from issuance	\$ 4,500,000
Equity component	<u>(188,862)</u>
Liability component at the date of issuance	4,311,138
Interest charged at an effective interest rate	24,437
Convertible bonds converted into ordinary shares	<u>(1,364,833)</u>
Liability component at December 31, 2021	2,970,742
Interest charged at an effective interest rate	21,211
Convertible bonds converted into ordinary shares	<u>(767,279)</u>
Liability component at December 31, 2022	<u>\$ 2,224,674</u>

19. LEASE AGREEMENTS

- Right-of-use assets

	December 31	
	2022	2021
Carrying amounts	\$ 3,265,435	\$ 3,428,611
Land	6,290,368	6,584,950
Buildings	43,074,156	40,951,799
Flight equipment	<u>7,521</u>	<u>18</u>
Other equipment	<u>\$ 52,637,480</u>	<u>\$ 50,965,378</u>

Influence of comprehensive income

	Recognized in Other Comprehensive Income (Loss)	Reclassified to Income
For the year ended December 31, 2022	\$ (4,111,327)	\$ 114,759
For the year ended December 31, 2021	252,250	679,554

d. Material leasing activities and terms

China Airlines leased ten 777-300ER planes, nineteen A330-300 planes, nineteen A320-300 planes, twelve 737-800 planes and ten A321neo planes for operation, lease period are 4 to 16 years from February 2007 to December 2034. The rental pricing method is partly a fixed amount of funds, and some of them are floating rents, floating rents are according to benchmark ratio, the rent is revised every half year. When the lease expires, the lease agreements have no purchase rights.

The information of refundable deposits and opening of credit letter due to rental of planes:

	December 31 2022	2021
Refundable deposits	\$ 270,494	\$ 414,720
Credit guarantees	1,658,337	1,295,594

e. Lease agreement signed but not yet delivered

In October 2019, the Company signed a rental contract for eight A321neo with CALC Lease Corporation, which is expected to be delivered in 2022 to 2024. As of December 31, 2022, four A321neo have been delivered.

The Company also signed related aircraft purchase agreement, please refer to Note 32 for details.

f. Sale and leaseback transactions

In order to revitalize assets and strengthen financial structure, the Company signed a sale and leaseback agreement for five A330-300 with CALC Lease Corporation in June 2021 and September 2021. Those aircraft were sold for \$2,810,098 thousand and the Company recognized a loss of \$342,080 thousand. The lease term is 4 years without renewal option or right of first refusal and the annual lease payments for each aircraft are US\$4,200 thousand to US\$4,823 thousand.

g. Aircraft leases

In order to revitalize assets, the Company signed a lease agreement for two 747-400F with US Cargo Company in August 2021 and September 2021. The lease commencement dates were July 15, 2022 and October 10, 2022, respectively.

For the Year Ended December 31

	2022	2021
Additions to right-of-use assets	<u>\$ 13,305,582</u>	<u>\$ 7,274,961</u>
Depreciation for right-of-use assets		
Land	\$ 183,088	\$ 181,729
Buildings	350,840	309,471
Flight equipment	10,737,107	9,762,276
Other equipment	<u>521</u>	<u>30</u>

	<u>\$ 11,271,556</u>	<u>\$ 10,253,506</u>
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b. Lease liabilities

	December 31 2022	2021
Carrying amounts		
Current	<u>\$ 1,185,177</u>	<u>\$ 882,538</u>
Non-current	<u>\$ 10,428,091</u>	<u>\$ 9,677,756</u>

Range of discount rates for lease liabilities (including leases denominated in USD designated as hedging instruments):

	December 31 2022	2021
Land	0%-1.65%	0.81%-1.65%
Buildings	0%-4.65%	0%-2.98%
Flight equipment	0.68%-3.16%	0.68%-3.16%
Other equipment	0%	0%

c. Financial liabilities under hedge accounting

The Company specifies a part of aircraft leases denominated in USD as hedging instruments to avoid exchange rate fluctuations in passenger revenue and applies the accounting treatment of cash flow hedging. The lease information is as follows:

	Maturity Date	Subject	Carrying Value
December 31, 2022	2023.2.7-2034.12.31	Financial liabilities for hedging - current	\$ 9,817,440
		Financial liabilities for hedging - non-current	32,183,170
December 31, 2021	2022.2.9-2033.12.12	Financial liabilities for hedging - current	8,434,893
		Financial liabilities for hedging - non-current	27,839,847

h. Other lease information

The Company uses operating lease agreement for investment properties, refer to Note 14.

	For the Year Ended December 31	
	2022	2021
Short-term leases and low-value asset leases	\$ 67,335	\$ 17,347
Total cash outflow for leases	<u>\$ (11,573,192)</u>	<u>\$ (10,064,135)</u>

The Company chooses to waive the recognition of the contract provisions for the short-term leases and low-value asset leases, and does not recognize the related right-of-use assets and lease liabilities for such lease.

20. OTHER PAYABLES

	December 31	
	2022	2021
Fuel costs	\$ 4,560,607	\$ 3,005,174
Short-term employee benefits	3,765,372	5,513,432
Repair expenses	1,379,132	1,467,390
Terminal surcharges	901,498	716,531
Ground service expenses	781,071	763,012
Interest expenses	98,736	82,063
Commission expenses	85,140	149,296
Others	<u>1,694,227</u>	<u>1,168,108</u>
	<u>\$ 13,265,783</u>	<u>\$ 12,865,006</u>

21. CONTRACT LIABILITIES

	December 31	
	2022	2021
Frequent flyer programs	\$ 3,179,874	\$ 2,797,038
Advance ticket sales	<u>13,358,719</u>	<u>1,255,328</u>
	<u>\$ 16,538,593</u>	<u>\$ 4,052,366</u>
Current	\$ 15,257,687	\$ 3,416,733
Non-current	<u>1,280,906</u>	<u>635,633</u>
	<u>\$ 16,538,593</u>	<u>\$ 4,052,366</u>

22. PROVISIONS

	December 31	
	2022	2021
Operating leases - aircraft	\$ 20,418,602	\$ 17,808,700
Current	\$ 3,490,653	\$ 2,578,812
Non-current	<u>16,927,949</u>	<u>15,229,888</u>
	<u>\$ 20,418,602</u>	<u>\$ 17,808,700</u>

The Company leased flight equipment under operating lease agreements. Under the contracts, when the leases expire and the equipment is returned to the lessor, the flight equipment has to be repaired according to the expected years of use, number of flight hours, flight cycles and the number of engine revolution. The Company had existing obligations to recognize provisions when signing a lease or during the lease term.

	Aircraft Lease Contracts	
Balance at January 1, 2021	\$ 13,741,244	
Additional provisions recognized	5,796,335	
Usage	(1,476,769)	
Effect of foreign currency exchange differences	<u>(252,110)</u>	
Balance at December 31, 2021	<u>\$ 17,808,700</u>	
Balance at January 1, 2022	\$ 17,808,700	
Additional provisions recognized	4,958,429	
Usage	(3,690,602)	
Effect of foreign currency exchange differences	<u>1,342,075</u>	
Balance at December 31, 2022	<u>\$ 20,418,602</u>	

23. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute amounts equal to 15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	2021
Present value of defined benefit obligation	\$ 15,802,396	\$ 14,958,292
Fair value of plan assets	<u>(7,454,233)</u>	<u>(6,599,103)</u>
Net defined benefit liabilities	<u>\$ 8,348,163</u>	<u>\$ 8,359,189</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2021	\$ 14,458,016	\$ (6,240,621)	\$ 8,217,395
Service cost			
Current service cost	1,169,022	-	1,169,022
Net interest expense (income)	47,178	(20,267)	26,911
Recognized in profit or loss	<u>1,216,200</u>	<u>(20,267)</u>	<u>1,195,933</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(92,874)	(92,874)
Actuarial loss - changes in demographic assumptions	379,091	-	379,091
Actuarial loss - changes in financial assumptions	(452,370)	-	(452,370)
Actuarial loss - experience adjustments	201,665	-	201,665
Recognized in other comprehensive income	<u>128,386</u>	<u>(92,874)</u>	<u>35,512</u>
Contributions from the employer	(706,427)	706,427	(951,768)
Benefits paid	(123,638)	-	(123,638)
Direct payment to employees	(14,245)	-	(14,245)
Exchange differences on foreign plans	14,958,292	(6,599,103)	8,359,189
Balance at December 31, 2021	<u>1,079,984</u>	<u>(43,772)</u>	<u>1,079,984</u>
Service cost			
Current service cost	98,312	(43,772)	54,540
Net interest expense (income)	<u>1,178,296</u>	<u>(43,772)</u>	<u>1,134,524</u>
Recognized in profit or loss			
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(506,426)	(506,426)
Actuarial gain - changes in financial assumptions	(773,074)	-	(773,074)
Actuarial loss - experience adjustments	1,250,610	-	1,250,610
Recognized in other comprehensive income	<u>477,536</u>	<u>(506,426)</u>	<u>(28,890)</u>
Contributions from the employer	(677,109)	(982,041)	(982,041)
Benefits paid	(161,579)	677,109	(161,579)
Direct payment to employees	26,960	-	26,960
Exchange differences on foreign plans	<u>15,802,396</u>	<u>(7,454,233)</u>	<u>8,348,163</u>
Balance at December 31, 2022			

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

- Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a two-year time deposit with local banks.
- Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	December 31	2022	2021
Discount rate		1.28%	0.68%
Expected rate of salary increase		1.00%	1.00%

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	2022	2021
Discount rate		\$ (306,026)	\$ (317,393)
0.25% increase		<u>\$ 321,327</u>	<u>\$ 331,820</u>
0.25% decrease			
Expected rate of salary increase		\$ 627,353	\$ 634,785
0.5% increase		<u>\$ (596,751)</u>	<u>\$ (605,931)</u>
0.5% decrease			

The above sensitivity analysis may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	December 31	2022	2021
Expected contributions to the plan for the next year		\$ 862,222	\$ 766,706
Average duration of the defined benefit obligation		8.4 years	9 years

24. EQUITY

a. Share capital

Ordinary shares

	<u>December 31</u>	<u>2021</u>
	<u>2022</u>	
Number of shares authorized (in thousands of shares)	<u>7,000,000</u>	<u>7,000,000</u>
Amount of shares authorized	<u>\$ 70,000,000</u>	<u>\$ 70,000,000</u>
Amount of shares issued	<u>\$ 60,135,374</u>	<u>\$ 59,412,243</u>

The Company issued the 6th and the 7th domestic unsecured convertible bonds, and the holders of the convertible bonds applied for conversion in the amount of \$1,178,600 thousand and \$7,032,400 thousand for the years ended December 31, 2022 and 2021. The number of ordinary shares exchanged were 72,313 thousand and 520,329 thousand respectively and completed the registration of the in equity after the issuance of new shares.

b. Capital surplus

	<u>December 31</u>	<u>2021</u>
	<u>2022</u>	

May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)

Issuance of convertible bonds in excess of par value and conversion premium	\$ 2,092,431	\$ 1,668,381
Dividend distributed to subsidiaries	1,725	-
Expired equity component of convertible bonds	929,535	869,932
<u>May only be used to offset a deficit (2)</u>		
Long-term investments	547	540

May not be used for any purpose

Equity component of convertible bonds	<u>96,073</u>	<u>155,676</u>
	<u>\$ 3,120,311</u>	<u>\$ 2,694,529</u>

1) Such capital surplus may be used to offset a deficit; when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Appropriation of earnings and dividend policy

Under the Company Act, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which is to distribute dividends and bonus no less than 50% of the remaining profit and undistributed retained earnings. The dividends and bonus mentioned above can be distributed in the form of new shares or cash, and the cash dividends should be no less than 30% of the total dividends. If surplus earnings are distributed in the form of new shares, the distribution of shares shall be resolved in the shareholders' meeting; if such earnings are distributed in the form of cash, the cash distribution shall be authorized after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition, a report of such distribution shall be submitted to the shareholders' meeting. If the Company has no loss, according to laws and regulations, the Company can distribute its capital reserve, in whole or in part, by issuing new shares or cash based on financial, business and management considerations. If such capital reserve is distributed in the form of new shares, it shall be resolved by a meeting of the shareholders; if such capital reserve is distributed in the form of cash, it shall be authorized after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

The distribution of dividends should be resolved and recognized in the shareholders' meeting in the following year.

1) Appropriation of earnings in 2021

The appropriation of earnings in 2021 which was resolved and recognized in the shareholders' meeting on May 26, 2022 is as follows:

	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>
Legal reserve	\$ 925,385	\$ -
Cash dividends	5,000,000	0.83145736

2) Appropriation of earnings in 2022

The appropriation of earnings in 2022, which were proposed by the Company's board of directors on March 9, 2023, were as follows:

	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>
Legal reserve	\$ 305,592	\$ -
Special reserve	534,375	-
Cash dividends	2,772,207	0.46099444

The appropriation of earnings in 2022 is subject to the resolution of the shareholders in their meeting on May 31, 2023.

d. Other equity items

The movement of other equity items were as follows:

	Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Gain (Loss) on Hedging Instruments	Total
Balance at January 1, 2021	\$ (134,252)	\$ 71,359	\$ 2,606,659	\$ 2,543,766
Exchange differences on the translation of the financial statements of foreign operations	17,597	-	-	17,597
Cumulative gain (loss) on changes in fair value of hedging instruments	-	-	861,256	861,256
Cumulative loss on changes in fair value of hedging instruments	-	-	(672,302)	(672,302)
Reclassified to profit or loss	-	-	-	-
Unrealized gain (loss) on financial assets at FVTOCI	-	(91,703)	-	(91,703)
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	95	(4,161)	1,992	(2,074)
Effects of income tax	(3,519)	18,993	(57,693)	(42,219)
Other comprehensive income (loss) recognized in the period	14,173	(76,871)	133,253	70,555
Transferred to initial carrying amount of hedged items	-	-	99,507	99,507
Balance at December 31, 2021	\$ (120,079)	\$ (5,512)	\$ 2,839,419	\$ 2,713,828
Balance at January 1, 2022	\$ (120,079)	\$ (5,512)	\$ 2,839,419	\$ 2,713,828
Exchange differences on the translation of the financial statements of foreign operations	141,415	-	-	141,415
Cumulative gain (loss) on changes in fair value of hedging instruments	-	-	(4,086,411)	(4,086,411)
Cumulative loss on changes in fair value of hedging instruments	-	-	(199,639)	(199,639)
Reclassified to profit or loss	-	-	-	-
Unrealized gain on financial assets at FVTOCI	-	8,570	-	8,570
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	2,649	46,386	165	49,200
Effects of income tax	(28,283)	(8,526)	774,784	737,975
Other comprehensive income (loss) recognized in the period	115,781	46,430	(3,511,101)	(3,348,890)
Transferred to initial carrying amount of hedged items	-	-	100,687	100,687
Balance at December 31, 2022	\$ (4,298)	\$ 40,918	\$ (570,995)	\$ (534,375)

e. Treasury shares

Treasury shares are the Company's shares held by its subsidiaries, as of the reporting date and are as follows:

	Period of Treasury Shares	Number of Shares, Beginning of Year	Reduction During the Year	Number of Shares, End of Year	(In Thousands of Shares)
	For the year ended December 31, 2022	<u>2,075</u>	<u>-</u>	<u>2,075</u>	
	For the year ended December 31, 2021	<u>2,075</u>	<u>-</u>	<u>2,075</u>	
		Shares Held by Subsidiaries (In Thousands of Shares)	Carrying Amount	Market Value	
	December 31, 2022				
	Mandarin Airlines	2,075	\$ 39,418	\$ 39,418	
	December 31, 2021				
	Mandarin Airlines	2,075	\$ 57,156	\$ 57,156	

The above acquisitions by subsidiaries of the Company's shares in previous years was due to investment planning. The shares of the Company held by its subsidiaries were treated as treasury shares. The subsidiaries can exercise shareholders' right on these treasury shares, except for the right to subscribe for the Company's new shares and voting rights.

25. NET INCOME

	For the Year Ended December 31	
	2022	2021
a. Revenue		
Passenger	\$ 20,479,214	\$ 3,433,751
Cargo	115,864,041	124,249,632
Others	4,726,594	4,456,865
	<u>\$ 141,069,849</u>	<u>\$ 132,140,248</u>
b. Other income		
Interest income	\$ 566,465	\$ 132,220
Dividend income	11,723	8,355
Others	729,343	234,050
	<u>\$ 1,307,531</u>	<u>\$ 374,625</u>

e. Depreciation and amortization expenses

In 2002, CAA terminated the leasing of six aircraft with the Company on a unilateral basis, which arose from several litigation between the Company and CAA. Because the aircraft leases were terminated in advance, the property of aircraft leasing from financial lease turns to operating lease. The accounting basis is different between these which caused the situation of overpaid rental. Therefore, in 2016, the Company sued CAA for an approximate amount of \$1,200 million. The Company lost the case in the first and second instances, and won the part of the case after remanding in the third instance.

Supreme court dismissed the appeal and affirmed the conviction that CAA should pay back the principal amount with interest.

CAA has paid the abovementioned amount in October 2022. The Company recognized the amount of \$288 million as other income - others in 2022.

c. Other gains and losses

	For the Year Ended December 31	2022	2021
Gain (loss) on disposal property, plant and equipment	\$	19,911	\$ (932,718)
Net foreign exchange gains (losses)		1,517,582	(123,671)
Impairment loss recognized on investments accounted for using equity method		-	(136,672)
Impairment loss recognized on property, plant and equipment		(1,641)	-
Loss on disposal of investments		-	(540)
Gain on disposal of non-current assets held for sale		558,477	-
Loss arising from sale and leaseback transactions		-	(342,080)
Others		<u>(269,435)</u>	<u>(436,219)</u>
		<u>\$ 1,824,894</u>	<u>\$ (1,971,900)</u>

d. Finance costs

	For the Year Ended December 31	2022	2021
Interest expense	\$	156,189	\$ 262,951
Bonds payable		749,735	624,420
Bank loans		1,311,226	1,276,803
Interest on lease liabilities		-	-
Loss arising from derivatives designated as hedging instruments in cash flow hedge accounting relationships reclassified from equity to profit or loss		<u>3,810</u>	<u>-</u>
		<u>\$ 2,220,960</u>	<u>\$ 2,164,174</u>
Capitalization interest	\$	176,264	\$ 42,440
Capitalization rate		0.81%-1.58%	0.55%-1.11%

For the Year Ended December 31

	2022	2021
Property, plant and equipment	\$ 15,485,006	\$ 16,249,708
Right-of-use assets	11,271,556	10,253,506
Intangible assets	<u>181,662</u>	<u>179,111</u>
	<u>\$ 26,938,224</u>	<u>\$ 26,682,325</u>
An analysis of depreciation by function		
Operating costs	\$ 26,150,203	\$ 25,933,079
Operating expenses	<u>606,359</u>	<u>570,135</u>
	<u>\$ 26,756,562</u>	<u>\$ 26,503,214</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 181,662</u>	<u>\$ 179,111</u>

For the Year Ended December 31

	2022	2021
Post-employment benefits	\$ 331,703	\$ 330,826
Defined contribution plan	<u>1,134,524</u>	<u>1,195,933</u>
Defined benefit plan	<u>\$ 1,466,227</u>	<u>\$ 1,526,759</u>
Other employee benefits		
Salary expenses	\$ 14,493,508	\$ 16,170,192
Labor and health insurance expenses	1,236,490	1,148,603
Personnel service expenses	<u>3,268,895</u>	<u>3,732,060</u>
	<u>\$ 18,998,893</u>	<u>\$ 21,050,854</u>

An analysis of employee benefits expense by function

Operating costs	\$ 16,538,596	\$ 17,960,614
Operating expenses	<u>3,926,524</u>	<u>4,616,999</u>
	<u>\$ 20,465,120</u>	<u>\$ 22,577,613</u>

According to the Company's articles, the Company accrues compensation of employees at rates of no less than 3% of the net profit before income tax and compensation of employees. When the Company has an accumulated deficit, the Company shall set aside some amounts to offset the deficit in advance. For the year ended December 31, 2022 and 2021, the estimated amount of compensation of employees were \$120,275 and \$366,429 thousand.

Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date that the annual financial statements are authorized for issue are adjusted in the year that the compensation and remuneration are recognized. If there is a change in the proposed amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

Information on the compensation of employees resolved by the Company's board of directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

26. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax expense were as follows:

	<u>For the Year Ended December 31</u>	<u>2021</u>
Current tax	\$ 1,908,649	\$ 2,926,770
Adjustments for prior year	24,169	7,846
Deferred tax		
In respect of current year	(889,534)	(331,894)
Adjustments for prior year	(13,885)	(8,687)
Income tax expense recognized in profit or loss	<u>\$ 1,029,399</u>	<u>\$ 2,594,035</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<u>For the Year Ended December 31</u>	<u>2022</u>	<u>2021</u>
Profit before tax from continuing operations	<u>\$ 3,888,902</u>	<u>\$ 11,973,940</u>	
Income tax expense calculated at the statutory rate	\$ 777,780	\$ 2,394,788	
Effects of adjustments to income tax:			
Nondeductible expenses in determining taxable income	621,251	695,244	
Tax-exempt income	(372,693)	(541,481)	
Overseas income tax expense	48,128	33,815	
Unrecognized deductible temporary differences	(55,351)	12,510	
Adjustments for prior years' tax	24,169	7,846	
Adjustments for prior years' deferred tax	(13,885)	(8,687)	
Income tax expense recognized in profit or loss	<u>\$ 1,029,399</u>	<u>\$ 2,594,035</u>	

b. Income tax recognized in other comprehensive income

	<u>For the Year Ended December 31</u>	<u>2022</u>	<u>2021</u>
Recognized in other comprehensive income			
Translation of foreign operations		\$ (28,283)	\$ (3,519)
Fair value changes of hedging instruments for cash flow hedges		774,784	(57,693)
Remeasurement of defined benefit plans		(5,778)	7,102
Fair value changes of financial assets at FVTOCI		(8,526)	18,993
Total income tax recognized in other comprehensive income		<u>\$ 732,197</u>	<u>\$ (35,117)</u>

c. Deferred tax assets and liabilities

For the year ended December 31, 2022

	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Closing Balance</u>
<u>Deferred tax assets</u>				
Temporary differences	\$ 1,698,141	\$ (9,868)	\$ (5,778)	\$ 1,682,495
Defined benefit obligations	583,272	67,078	-	650,350
Frequent flyer programs	2,288,073	108,056	-	2,396,129
Maintenance reserve	280,131	14,726	-	294,857
Allowance for impairment loss of inventories	-	340,127	-	340,127
Unrealized foreign exchange losses	384,687	324,677	(17,511)	691,853
Others	<u>\$ 5,234,304</u>	<u>\$ 844,796</u>	<u>\$ (23,289)</u>	<u>\$ 6,055,811</u>

Deferred tax liabilities

	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Closing Balance</u>
Temporary differences	\$ 58,623	\$ (58,623)	-	-
Unrealized foreign exchange gains	763,745	-	(755,486)	8,259
Others	<u>\$ 822,368</u>	<u>\$ (58,623)</u>	<u>\$ (755,486)</u>	<u>\$ 8,259</u>

For the year ended December 31, 2021

	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Closing Balance</u>
<u>Deferred tax assets</u>				
Temporary differences	\$ 1,656,388	\$ 34,651	\$ 7,102	\$ 1,698,141
Defined benefit obligations	547,877	35,395	-	583,272
Frequent flyer programs	2,359,334	(71,261)	-	2,288,073
Maintenance reserve	253,209	26,922	-	280,131
Allowance for impairment loss of inventories	165,051	230,398	(10,762)	384,687
Others	<u>\$ 4,981,859</u>	<u>\$ 256,105</u>	<u>\$ (3,660)</u>	<u>\$ 5,234,304</u>

(Continued)

The weighted average number of ordinary shares outstanding (in thousands of shares) was as follows:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	5,996,406	5,615,684
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>9,155</u>	<u>13,300</u>
Convertible bonds	<u>137,708</u>	<u>512,144</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>6,143,269</u>	<u>6,141,128</u>

The Company may settle the compensation of employees in cash or shares, therefore, the Company assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

28. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued capital, reserves, retained earnings and other equity items).

To support operating activities and purchase of aircraft, the Company needs to maintain sufficient capital. Therefore, the goal of capital management is to ensure that financial resources and operating plan is able to support the future working capital, capital expenditures, debt repayment, dividend payments and other needs in the next 12 months.

29. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments not measured at fair value

	<u>December 31</u>			
	<u>2022</u>	<u>2021</u>		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Financial liabilities</u>				
Bonds payable	\$ 9,999,674	\$ 10,313,545	\$ 13,650,026	\$ 14,557,830

Lease liabilities and long-term borrowings are floating-rate financial liabilities, so their carrying amounts are their fair values. Fair values of bonds payable trading in OTC are based on quoted market prices (Level 1).

	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Closing Balance</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized foreign exchange gains	\$ 143,100	\$ (84,477)	\$ -	\$ 58,623
Others	<u>732,288</u>	<u>-</u>	<u>31,457</u>	<u>763,745</u>
	<u>\$ 875,388</u>	<u>\$ (84,477)</u>	<u>\$ 31,457</u>	<u>\$ 822,368</u>
				(Concluded)

Deductible temporary differences for which no deferred tax assets have been recognized in the balance sheets were as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Others	<u>\$ 6,200,000</u>	<u>\$ 6,476,757</u>

d. As of December 31, 2022, the Company has no unused loss carryforwards.

e. Income tax assessments

The income tax returns of the Company through 2020 have been examined by the tax authorities.

27. EARNINGS PER SHARE

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Basic earnings per share (NT\$ per share)	<u>\$ 0.48</u>	<u>\$ 1.67</u>
Diluted earnings per share (NT\$ per share)	<u>\$ 0.47</u>	<u>\$ 1.54</u>

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Net Profit for The Year</u>		
Earnings used in the computation of basic earnings per share	\$ 2,859,503	\$ 9,379,905
Effect of potentially dilutive ordinary shares:		
Interest on convertible bonds (after tax)	<u>21,415</u>	<u>72,638</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 2,880,918</u>	<u>\$ 9,452,543</u>

b. Fair value of financial instruments measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable::

- 1) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 fair value measurements are those derived from valuation techniques that include inputs for an asset or liability that are not based on observable market data (unobservable inputs).

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Unlisted shares - domestic	\$ -	\$ -	\$ 41,128	\$ 41,128
Unlisted shares - foreign	-	-	22,900	22,900
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,028</u>	<u>\$ 64,028</u>
Financial assets for hedging	<u>\$ 3,987,730</u>	<u>\$ 4,935</u>	<u>\$ 38,997</u>	<u>\$ 4,031,662</u>
Financial liabilities for hedging	<u>\$ 42,000,610</u>	<u>\$ 117,495</u>	<u>\$ 55,758</u>	<u>\$ 42,173,863</u>

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Unlisted shares - domestic	\$ -	\$ -	\$ 28,804	\$ 28,804
Unlisted shares - foreign	-	-	26,654	26,654
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,458</u>	<u>\$ 55,458</u>
Financial assets for hedging	<u>\$ 3,545,706</u>	<u>\$ -</u>	<u>\$ 17,613</u>	<u>\$ 3,563,319</u>
Financial liabilities for hedging	<u>\$ 36,274,740</u>	<u>\$ -</u>	<u>\$ 2,755</u>	<u>\$ 36,277,495</u>

There were no transfers between Level 1 and 2 in the current period.

- 4) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivative	The fair values of derivatives (except for options) have been determined based on discounted cash flow analyses using interest yield curves applicable for the duration of the derivatives. The estimates and assumptions that the Company used to determine the fair values are identical to those used in the pricing of financial instruments for market participants.

- 5) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of currency options and fuel options and swap are determined using option pricing models where the significant unobservable inputs are implied fluctuation. Changes in the implied fluctuation used in isolation would result in an increase or decrease in the fair value of the currency options and fuel options and swap.

The domestic and foreign unlisted equity investments are based on the comparative company valuation to estimate the fair value. The main assumptions are based on the multiplier of the market price of the comparable listed company and the net value per share, which have considered the liquidity discount. The higher the multiplier or the lower the liquidity discount, the higher the fair value of the relevant financial instruments.

The multiplier and liquidity discount of financial instruments based on Level 3 fair value measurement were as follows:

	Multiplier	Liquidity Discount
December 31, 2022	0.79-10.39	80%
December 31, 2021	0.74-14.31	80%

The movements of financial instruments based on Level 3 fair value measurement were as follows:

	Derivative Instruments	Equity Instruments
Balance at January 1, 2022	\$ 6,124	\$ 55,458
Recognized in other comprehensive income	<u>(22,885)</u>	<u>8,570</u>
Balance at December 31, 2022	<u>\$ (16,761)</u>	<u>\$ 64,028</u>
Balance at January 1, 2021	\$ -	\$ 147,161
Recognized in other comprehensive income	<u>6,124</u>	<u>(91,703)</u>
Balance at December 31, 2021	<u>\$ 6,124</u>	<u>\$ 55,458</u>

Because some financial instruments and nonfinancial instruments may not have their fair values disclosed, the total fair value disclosed herein is not the total value of the Company's collective instruments.

c. Categories of financial instruments

	December 31	2021
	2022	
<u>Financial assets</u>		
Financial assets for hedging	\$ 4,031,662	\$ 3,563,319
Financial assets at amortized cost (Note 1)	44,114,404	50,292,213
Financial assets at FVTOCI - investments in equity instruments	64,028	55,458

Financial liabilities

Financial liabilities for hedging	42,173,863	36,277,495
Financial liabilities at amortized cost (Note 2)	126,090,173	142,057,713

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, time deposits with original maturities of more than 3 months, notes and accounts receivable, accounts receivable - related parties, other receivables, refundable deposits and other restricted financial assets.

Note 2: The balance include financial liabilities measured at amortized cost, which comprise short-term borrowings, notes and accounts payable, accounts payable - related parties, other payables, bonds payable, long-term borrowings, lease liabilities, provisions, parts of other current liabilities, parts of other non-current liabilities and guarantee deposits.

d. Financial risk management objectives and policies

The Company has risk management and hedging strategies to respond to changes in the economic and financial environment and in the fuel market. To reduce the financial risks from changes in interest exchange rates and in fuel prices, the Company has its operating costs stay within a specified range by using appropriate financial hedging instruments and hedging percentages in accordance with the "Processing Program of Derivative Financial Instrument Transactions" approved by the Company's shareholders to reduce the impact of market price on earnings. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

In addition, the Company has a risk committee, which meets periodically to evaluate the performance of derivative instruments and determine the appropriate hedging percentage. This committee informs the Company of global economic and financial conditions, controls the entire financial risk resulting from changes in the financial environment and fuel prices, and develops the strategy and response to avoid financial risk with the assistance of financial risk experts to effect risk management.

1) Market risk

The Company is primarily exposed to the financial risks of changes in foreign currency exchange rates and interest rates. The Company entered into derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk. The Company enters into foreign exchange forward contracts, foreign currency option contracts, and interest swap contracts with fair values that are highly negatively correlated to the fair values of hedged items and evaluates the hedging effectiveness of these instruments periodically.

a) Foreign currency risk

The Company enters into foreign currency option to hedge against the risks of changes in related exchange rates, and enters into foreign exchange forward contracts to hedge against the risks on changes in foreign-currency assets, liabilities and commitments in the related exchange rates.

Sensitivity analysis

The Company was mainly exposed to the U.S. dollar.

An increase/decrease in U.S. dollars one dollar against New Taiwan dollars when reporting foreign currency risk internally to key management personnel represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for U.S. dollars increase/decrease by one dollar against New Taiwan dollars in foreign currency rates. When New Taiwan dollars increased one dollar against U.S. dollars and all other variables were held constant, there would be a decrease in pre-tax profit and an increase in pre-tax other comprehensive income for the year ended December 31, 2022 of \$254,789 thousand and \$1,131,220, respectively, and a decrease in pre-tax profit and an increase in pre-tax other comprehensive income for the year ended December 31, 2021 of \$401,972 thousand and \$1,181,518 thousand, respectively.

The Company's hedging strategy is to enter into foreign exchange forward contracts and foreign currency options to avoid exchange rate exposure of its foreign currency denominated receipts and payments and to manage exchange rate exposure of its aircraft prepayments in next year, and managing the mix of U.S. dollar revenue and U.S. dollar lease expenses those transactions are designated as cash flow hedges. When forecasted purchases actually take place, basis adjustments are made to the initial carrying amounts of hedged items.

For the hedges of highly probable aircraft prepayments, as the critical terms (i.e., the notional amount, useful life and underlying asset) of the foreign currency options contracts and foreign exchange forward contracts and their corresponding hedged items are the same, the Company performs a qualitative assessment of the effectiveness, and it is expected that the value of the foreign currency options and foreign exchange forward contracts and the value of the corresponding hedged items will systematically change in the opposite direction in response to movements in the underlying exchange rates.

The following table summarizes the information relating to the hedges of foreign currency risk.

Please refer to Note 19 for aircraft rental contracts for hedging.

December 31, 2022

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount - Asset	Carrying Amount - Liability
Cash flow hedge - Aircraft prepayment - forward exchange contracts	NTD/USD	NTD3,312,883/ USD706,000	2023.1.9 - 2023.6.30	29.5-31.9	Financial assets for hedging - current liabilities for hedging - current	\$ 4,935	\$ 110,563

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (aircraft prepayment in U.S. dollars) was \$(105,628) thousand.

For the year ended December 31, 2022

	Hedging Gain (Loss)	Amount Reclassified to Profit and Loss Other	Adjusted Line Income
Comprehensive Income			
Cash flow hedge			
Aircraft prepayments			<u>\$ (104,689)</u>

For the year ended December 31, 2022, the amount of hedging instrument settlements recognized as aircraft prepayments were \$(939) thousand.

December 31, 2021

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount
Cash flow hedge					Asset	Liability
Aviation fuel - forward exchange contracts	NTD/USD	\$ -	-	-	Financial assets for hedging - current	Financial liabilities for hedging - current
					\$ -	\$ -

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (aviation fuel in U.S. dollars) was \$0.

For the year ended December 31, 2021

	Hedging Gain (Loss)	Amount Reclassified to Profit and Loss Other	Adjusted Line Income
Comprehensive Income			
Cash flow hedge			
Aviation fuel			<u>\$ 5,794</u>
Interest rate risk			<u>\$ (6,844)</u>

b) The Company enters into interest rate swap contracts to hedge against the risks on change in interest rates of long-term borrowings. The Company was exposed to interest rate risk because entities in the Company borrowed funds at both fixed and floating interest rates.

The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings, and using interest rate swap contracts.

The carrying amount of the Company's financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	December 31 2022	2021
Fair value interest rate risk	\$ 52,000,283	\$ 49,924,766
Cash flow interest rate risk	80,097,918	95,715,939

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A one year (25 basis points) increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Had interest rates increased by one yard (25 basis points) and all other variables been held constant, the Company's pre-tax profit for the year ended December 31, 2022 would have decreased by \$200,245 thousand.

Had interest rates increased by one yard (25 basis points) and all other variables been held constant, the Company's pre-tax profit for the year ended December 31, 2021 would have decreased by \$239,290 thousand.

The following tables summarize the information relating to the hedges for interest rate risk.

December 31, 2022

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount
Cash flow hedge					Asset	Liability
Interest expense on long-term borrowings - interest rate swaps	NTD	NTD 900,000	2027.4.1-2027.5.24	1.30%-1.58%	Financial assets for hedging - non-current	Financial liabilities for hedging - non-current
					\$ -	\$ 6,932

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (interest expense on long-term borrowings) was \$(6,932) thousand.

For the year ended December 31, 2022

	Hedging Gain (Loss)	Amount Reclassified to Profit and Loss Other	Adjusted Line Income
Comprehensive Income			
Cash flow hedge			
Interest expense on long-term borrowings			<u>\$ (6,932)</u>
			<u>\$ (3,810)</u>

Note: Increased finance costs or other losses

c) Other price risk

The Company was exposed to fuel price risk on its purchase of aviation fuel. The Company enters into fuel options contracts and swap contracts to hedge against adverse risks on fuel price changes.

December 31, 2022

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
					Asset	Liability	
Cash flow hedges	USD	NTD7,094	2023.3.31- 2023.12.31	USD/06	Financial assets for hedging - current/liabilities for	\$ 38,997	\$ 46,091
Aviation fuel - fuel				USD/48			
Cash flow hedges	USD	NTD9,667	2023.3.31	USD/06	Financial assets for hedging - current/liabilities for	-	9,667
Aviation fuel - swap					hedging - current		

Hedge accounting is continued to be applied to the abovementioned hedging instruments. The carrying amount of other equity for each hedging item (fuel payments in U.S. dollars) was \$(16,761) thousand.

For the year ended December 31, 2022

Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item
	\$ <u>(2,885)</u>
	\$ <u>88,690</u> (Note)

Comprehensive Income

Cash flow hedge
Aviation fuel

Note: Increase in operating costs.

December 31, 2021

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
					Asset	Liability	
Cash flow hedges	USD	NTD6,124	2022.1.31- 2022.09.30	USD/02- USD/21.75	Financial assets for hedging - current/liabilities for	\$ 17,613	\$ 2,755
Aviation fuel - fuel					hedging - current		
options							

Hedge accounting is continued to be applied to the abovementioned hedging instruments. The carrying amount of other equity for each hedging item (fuel payments in U.S. dollars) was \$6,124 thousand.

For the year ended December 31, 2021

Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item
	\$ <u>6,124</u>
	\$ <u>(408)</u> (Note)

Comprehensive Income

Cash flow hedge
Aviation fuel

Note: Increase in operating costs.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to fuel price risks at the end of the reporting period.

	For the Year Ended December 31	
	2022	2021
	Pre-tax Profit Increase (Decrease)	Other Comprehensive Income Increase (Decrease)
Fuel price increase 5%	\$ 3,624	\$ 838
Fuel price decrease 5%	(7,066)	(838)
	\$ -	\$ -
		\$ 306
		(306)

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company's credit risk primarily comes from accounts receivable generated from operating activities, bank deposits generated from investing activities, fixed income investments and other financial instruments. Operation related credit risk and financial credit risk are managed separately.

Operation - related credit risk

The Company has established procedures to manage operation related credit risk to maintain the quality of accounts receivable.

To assess the risk of individual customers, the Company consider into the financial condition of the customers, the credit rating agency rating, the Company's internal credit rating, transaction history and current economic conditions and many other factors that may affect the repayment. Sometimes, the Company uses certain credit enhancement tools to reduce the credit risk of specific customers.

Since the customers of the aviation industry are dispersed and non-related, the credit risk concentration is not critical.

Financial credit risk

Credit risk on bank deposits, fixed income investments and other financial instruments are measured and monitored by the Company's finance department. The Company's counterparties and other parties are well-performing banks and financial institutions, corporations, and government agencies, and so the risk of counterparties failing to discharge an obligation is low; therefore, there is no significant credit risk.

Endorsements given by the Company on behalf of its subsidiaries can be found in Note 30(g).

3) Liquidity risk

The objective of the Company's management of liquidity is to maintain cash and cash equivalents sufficient for operating purposes, marketable securities with high liquidity and loan commitments that are sufficient to ensure that the Company has adequate financial flexibility.

Liquidity and interest risk rate table

The following table shows the remaining contractual maturity analysis of the Company's financial liabilities with agreed-upon repayment periods, which were based on the date the Company may be required to pay the first repayment and financial liabilities is evaluated based on undiscounted cash flows, including cash flows of interest and principal.

Bank loans with a repayment on demand clause are included in the second column of the table below regardless of whether or not the banks would choose to exercise early their rights to repayment. The maturity dates for other non-derivative financial liabilities were based on the agreed-upon repayment dates. The Company's liquidity analysis for its derivative financial instruments is also shown in the following table. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross cash inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by yield curves at the end of the reporting period.

December 31, 2022

	The Weighted Average Effective Interest Rate (%)	Less than 1 Year	1 to 5 Years	Over 5 Years
Lease liabilities	1.8249	\$ 1,240,819	\$ 3,437,298	\$ 9,359,610
Floating interest rate liabilities	1.5609	12,802,497	47,991,005	9,796,542
Hedging instruments	2.8390	11,025,984	27,455,159	7,480,222
Bonds payable	1.0465	2,454,645	7,729,726	-
		<u>\$ 27,523,945</u>	<u>\$ 86,613,188</u>	<u>\$ 26,636,374</u>

December 31, 2021

	The Weighted Average Effective Interest Rate (%)	Less than 1 Year	1 to 5 Years	Over 5 Years
Lease liabilities	1.6254	\$ 892,433	\$ 2,397,555	\$ 9,732,481
Floating interest rate liabilities	0.8719	9,093,638	66,508,245	11,061,580
Hedging instruments	2.9022	9,375,841	28,118,375	1,532,555
Bonds payable	1.4686	2,740,146	12,303,091	-
		<u>\$ 22,102,058</u>	<u>\$ 109,327,266</u>	<u>\$ 22,326,616</u>

Loan commitments

	December 31	
	2022	2021
Undrawn bank loan commitments (unsecured)	\$ 22,455,000	\$ 24,164,000

30. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed as follows:

- a. Related party name and relationship

Related Party Name	Relationship with the Company
Taiwan Aircargo Terminal Company	Subsidiary
Taoyuan International Airport Service Co., Ltd.	Subsidiary
Sabre Travel Network (Taiwan), Ltd.	Subsidiary
Taiwan Airport Service Co., Ltd.	Subsidiary
Taiwan Airport Service (Samoa)	Subsidiary
Dynasty Aerotech International Corp.	Subsidiary
Global Sky Express	Subsidiary
Mandarin Airlines	Subsidiary
CAL Park	Subsidiary
CAL Hotel Co., Ltd.	Subsidiary
CAL-Asia Investment	Subsidiary
CAL-Dynasty International Inc.	Subsidiary
Tigerair Taiwan Co., Ltd.	Subsidiary
Taiwan Aircraft Maintenance and Engineering Co., Ltd.	Subsidiary
Kaohsiung Catering Services	Subsidiary
China Aircraft Service	Associate (became not related party since March 2022)
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Associate
Airport Air Cargo Service (Xiamen) Co., Ltd.	Associate
Eastern United International Logistics (Hong Kong)	Associate
Dynasty Holidays, Inc.	Associate
China Pacific Catering Services	Joint venture
China Pacific Laundry Services	Joint venture
NORDAM Asia Ltd.	Joint venture
Delica International Co., Ltd.	Joint venture
China Aviation Development Foundation (CADF)	Director of the Company and major shareholder
Others	Director, key management personnel, chairman, general manager of the Company, spouse and second-degree relative

b. Operating income

Account Items	For the Year Ended December 31	
	2022	2021
Other income	\$ 837,092	\$ 211,470
Subsidiary	\$ 9,131	\$ 12,634
Major shareholder of the Company	\$ -	\$ 56
Associate	\$ 46,801	\$ 20,365
Joint venture		

c. Purchases

Related Party Type	For the Year Ended December 31	
	2022	2021
Subsidiary	\$ 2,845,455	\$ 2,860,980
Major shareholder of the Company	\$ 18,972	\$ 28,574
Associate	\$ 415,611	\$ 536,086
Joint venture	\$ 665,802	\$ 221,802

d. Accounts receivable - related parties (generated by operations)

Related Party Type	December 31	
	2022	2021
Subsidiary	\$ 125,829	\$ 52,126
Joint venture	3,804	1,563
Major shareholder of the Company	1,045	785
	\$ 130,678	\$ 54,474

The receivables are not guaranteed, and there is no allowance for doubtful accounts related to accounts receivable - related parties. The payment periods of such accounts were within 30 to 90 days, and there are no overdue payments.

e. Accounts payable - related parties (generated by operations)

Related Party Type	December 31	
	2022	2021
Subsidiary	\$ 412,618	\$ 603,265
Associate	39,491	68,826
Joint venture	275,898	59,930
Major shareholder of the Company	2,421	1,816
	\$ 730,428	\$ 733,837

The remaining balance of accounts payable - related parties will be paid in cash if they are not secured.

f. Lease arrangements (operating leases)

The Company rented out planes to Mandarin Airlines under an operating lease contract. The monthly rental received is based on flight hours. For the years ended December 31, 2022 and 2021, the rentals received amounted to \$323,448 thousand and \$606,176 thousand, respectively.

Under an operating lease agreement, the Company rented flight training machines and flight simulators from China Aviation Development Foundation to train pilots. The Company paid the rental based on usage hours. For the years ended December 31, 2022 and 2021, the Company paid rentals of \$18,972 thousand and \$28,574 thousand, respectively.

In March 2010, the Company signed a yearly renewable operating lease agreement to use the Operating and Aviation Headquarters building of the Taiwan Taoyuan International Airport with CAL Park. For the years ended December 31, 2022 and 2021, the Company paid rentals of \$231,288 thousand and \$215,098 thousand, respectively.

g. Endorsements and guarantees

	December 31			
	2022		2021	
	Amount Endorsed	Amount Utilized	Amount Endorsed	Amount Utilized
<u>The Company</u>				
CAL Park	\$ 3,850,000	\$ 1,444,200	\$ 3,850,000	\$ 1,663,320
Tigerair Taiwan	2,868,466	286,202	2,590,360	258,454
Taiwan Air Craft Maintenance and Engineering Co., Ltd	2,000,000	1,517,000	2,000,000	1,459,000

h. Remuneration of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 59,047	\$ 42,093
Post-employment benefits	13,503	42,123
	\$ 72,550	\$ 84,216

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends.

31. ASSETS PLEDGED AS COLLATERAL FOR SECURITY

The following assets were pledged or mortgaged as collateral for long-term bank loans, lease liabilities and business transactions:

	December 31	
	2022	2021
Property, plant and equipment	\$ 30,892,531	\$ 27,994,773
Right-of-use assets	52,637,480	50,965,378
Restricted Assets	62,598	-
	\$ 83,592,609	\$ 78,960,151

32. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

In addition to those disclosed in the other notes, significant commitments and contingent liabilities of the Company at December 31, 2022 were as follows:

- a. In October 2019, the Company signed a contract with Airbus S.A.S. to purchase eleven A321neo aircraft and an option to purchase five A321neo aircraft. The total list price of the eleven aircraft is US\$1,676,413 thousand, and the list price of the option to purchase five aircraft is US\$769,922 thousand. The expected delivery periods of the eleven aircraft are from 2024 to 2026. As of December 31, 2022, the list price had been paid in the amount of US\$45,297 thousand (recognized as prepayments for aircraft). In October 2019, the Company signed a contract with International Aero Engines Company to purchase four backup engines of A321neo. The total list price of the four engines is US\$60,289 thousand. As of December 31, 2022, two backup engine has been delivered, for details please refer to Note 19.
- b. In July and August 2019, the Company signed a contract with Boeing Company to purchase three 777F aircraft and exercised the option to purchase three 777F aircraft. In January 2022, the Company signed an additional contract with Boeing Company to purchase another four 777F aircraft. The expected delivery periods are from 2023 to 2024. The total list price of the ten aircraft is US\$3,905,142 thousand. As of December 31, 2022, five out of ten aircraft have been delivered. The total list price of the remaining five aircraft is US\$2,019,932 thousand, and the list price has been paid in the amount of US\$403,986 thousand (recognized as prepayments for aircraft).
- c. On September 28, 2022, the Company signed a contract with Boeing Company to purchase sixteen 787-9 aircraft and the option to purchase eight 787-9 aircraft. The total list price of the sixteen aircraft is US\$5,868,695 thousand, and the list price of the option to purchase eight aircraft is US\$3,039,894 thousand. The sixteen aircraft expected delivery periods are from 2025 to 2027. As of December 31, 2022, the list price has been paid in the amount of US\$117,374 thousand (recognized as prepayments for aircraft). The option to purchase eight aircraft expected delivery periods are from 2026 to 2028. As of December 31, 2022, the list price has been paid in the amount of US\$18,240 thousand (recognized as prepayments for aircraft).

33. IMPACT OF COVID-19

For the years ended December 31, 2022 and 2021, due to the impact of the COVID-19 pandemic, the Company received subsidies of \$1,072,259 thousand and \$1,425,517 thousand, respectively, for airport landing fees and parking fees, etc. The subsidies for housing and land rental, and salary and interest expense were \$590,729 thousand and \$933,457 thousand, respectively. These subsidies were recognized as other income or deductions from other expenses.

The Company has obtained relief loan from the government. Refer to Note 17 for details on the amount of loan and its allocation.

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

		(In Thousands of Foreign Currencies)		
		Foreign Currency	Exchange Rate	Carrying Amount
<u>December 31, 2022</u>				
<u>Financial assets</u>				
Monetary items				
	USD	\$ 993,035	30.6748	\$ 30,461,150
	EUR	41,723	32.7869	1,367,968
	HKD	300,543	3.9386	1,183,719
	JPY	4,249,561	0.2317	984,623
	RMB	470,306	4.4131	2,075,507
<u>Financial liabilities</u>				
Monetary items				
	USD	1,977,467	30.6748	60,658,405
	EUR	6,849	32.7869	224,557
	HKD	48,231	3.9386	189,963
	JPY	2,989,197	0.2317	692,597
	RMB	107,880	4.4131	476,085
<u>December 31, 2021</u>				
<u>Financial assets</u>				
Monetary items				
	USD	\$ 1,067,289	27.7008	\$ 29,564,749
	EUR	24,699	31.4465	776,692
	HKD	545,975	3.5499	1,938,155
	JPY	4,949,258	0.2407	1,191,286
	RMB	751,761	4.3459	3,267,076
<u>Financial liabilities</u>				
Monetary items				
	USD	1,846,834	27.7008	51,158,785
	EUR	3,724	31.4465	117,113
	HKD	65,519	3.5499	232,587
	JPY	2,806,634	0.2407	675,557
	RMB	107,893	4.3459	468,894

For the years ended December 31, 2022 and 2021, the Company's net foreign exchange gains (losses) were \$1,517,582 thousand and \$(423,671) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

35. ADDITIONAL DISCLOSURES

- a. Following are the additional disclosures required by the Securities and Futures Bureau for the Company and its investees:
- 1) Financing provided to others: Table 1 (attached).
 - 2) Endorsements/guarantees provided: Table 2 (attached).
 - 3) Marketable securities held: Table 3 (attached).
 - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None.
 - 5) Acquisitions of individual real estates at costs of at least NT\$100 million or 20% of the paid-in capital: None.
 - 6) Disposals of individual real estates at prices of at least NT\$100 million or 20% of the paid-in capital: None.
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached).
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached).
 - 9) Names, locations, and related information of investees over which the Company exercises significant influence: Table 6 (attached).
 - 10) Trading in derivative instruments: Notes 7 and 29.
- b. Information on investments in mainland China: Table 7 (attached).
- c. Information of major shareholders: Table 8 (attached).

36. SEGMENT INFORMATION

The Company mainly engages in air transportation services for passengers, cargo and others. The major revenue-generating asset is its aircraft fleet, which is jointly used for passenger and cargo services. Thus, the Company's sole reportable segment is flight segment. For the disclosure of operating segment in the consolidated financial statements, the reportable segment of the Group comprises flight and non-flight business departments. The related information of reportable segment has been disclosed in the consolidated financial statements.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
1	Cal-Dynasty International	Dynasty Hotel of Hawaii, Inc.	Notes receivable	Yes	\$ 112,903	\$ 107,362	\$ 107,362	2.25	Short-term financing facility is necessary	\$ -	Operating cycle capital expenditure	\$ -		\$ -	\$ 157,028	\$ 314,056	

Note 1: The maximum amount of loans to others by the Company is up to 40% of the Company's net worth as stated in its latest financial statements.

Note 2: The maximum amount of loans to an individual counterparty by the Company is up to 20% of the Company's net worth as stated in its latest financial statements.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/ Guarantor	Endorsee/Guaranteee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	China Airlines (the "Company")	CAL Park Tigerair Taiwan Co., Ltd. Taiwan Aircraft Maintenance and Engineering Co., Ltd.	100% owned subsidiary 82.27% owned subsidiary by direct and indirect holdings 100% owned subsidiary	\$ 14,000,040 14,000,040 14,000,040	\$ 3,850,000 3,016,516 2,000,000	\$ 3,850,000 2,868,466 2,000,000	\$ 1,444,200 286,202 1,517,000	\$ - - -	5.50 4.10 2.86	\$ 35,000,100 35,000,100 35,000,100	Yes Yes Yes	No No No	No No No

Note 1: Based on the Company's guidelines, the maximum amount of guarantee to an individual counterparty is up to 20% of the Company's shareholders' equity.

Note 2: Based on the Company's guidelines, the allowable aggregate amount of collateral guarantee is up to 50% of the Company's shareholders' equity.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022			Note	
				Number of Shares/Units	Carrying Amount	Percentage of Ownership (%)		Fair Value
China Airlines ("Parent company")	Shares Everest Investment Holdings Ltd. - ordinary shares	-	Financial assets at FVTOCI - non-current	16,724	\$ 20,818	13.59	\$ 22,900	Note 1
	Everest Investment Holdings Ltd. - preferred shares	-	Financial assets at FVTOCI - non-current	1,672	2,082	-	-	-
	Chung Hua Express Co.	-	Financial assets at FVTOCI - non-current	1,100,000	41,128	11.00	41,128	-
	China Aircraft Service Limited	-	Financial assets at FVTOCI - non-current	28,400,000	-	4.00	-	-
	The Grand Hi Lai Hotel	-	Financial assets at FVTPL - current	1,072	-	0.00	-	-
Mandarin Airlines	Shares China Airlines	Parent company	Financial assets at FVTOCI - non-current	2,074,628	39,418	-	39,418	-
Cal-Asia Investment	Shares Taikoo (Xiamen) Landing Gear Services	-	Financial assets at FVTPL - current	-	-	2.59	-	Note 2
	Taikoo Spirit Aerospace Systems (Jinjiang) Composite	-	Financial assets at FVTOCI - non-current	-	59,004	5.45	59,004	Note 2
Sabre Travel Network (Taiwan)	Beneficiary certificates FSITC Money Market Fund	-	Financial assets at FVTPL - current	95,673	17,322	-	17,322	-
Taiwan Airport Services	Shares TransAsia Airways	-	Financial assets at FVTPL - current	2,277,786	-	0.40	-	-
Kaohsiung Catering Services	Beneficiary certificates Prudential Financial Money Market Fund	-	Financial assets at FVTPL - current	3,163,289	50,823	-	50,823	-
	Taishin 1699 Money Market Fund	-	Financial assets at FVTPL - current	3,728,020	51,317	-	51,317	-

Note 1: The subsidiary's net asset value was \$22,900 thousand, which included ordinary shares and preference shares as of December 31, 2022.

Note 2: The company does not issue shares because it is a limited company.

Note 3: The table only lists financial assets that are in accordance with IFRS 9.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Transaction Details		Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note	
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms		Ending Balance
China Airlines, Ltd. ("China Airlines")	Dynasty Aerotech International Corp.	Subsidiary	Purchase	\$ 359,440	0.28	2 months	\$ -	-	-	(2.76)
	CAL Park	Subsidiary	Purchase	231,317	0.18	2 months	-	-	-	-
	Cal Hotel Co., Ltd.	Subsidiary	Purchase	167,382	0.13	2 months	-	-	-	(0.49)
	Mandarin Airlines	Subsidiary	Sale	(271,089)	(0.19)	2 months	-	-	-	0.70
	Taiwan Air Cargo Terminal	Subsidiary	Purchase	595,081	0.46	30 days	-	-	-	(2.26)
	Taoyuan International Airport Service	Subsidiary	Purchase	1,098,923	0.86	40 days	-	-	-	(11.33)
	Global Sky Express	Subsidiary	Sale	(180,596)	(0.13)	15 days	-	-	-	0.04
	Tigerair Taiwan Co., Ltd.	Subsidiary	Sale	(251,361)	(0.18)	1 month	-	-	-	0.25
	Taiwan Aircraft Maintenance and Engineering Co., Ltd.	Subsidiary	Purchase	243,593	0.19	1 month	-	-	-	(1.17)
	Eastern United International Logistics	Equity-method investee	Purchase	401,256	0.31	2 months	-	-	-	(2.10)
China Pacific Catering Services	Equity-method investee	Purchase	562,323	0.44	90 days	-	-	-	(13.84)	
Mandarin Airlines	Tigerair Taiwan Co., Ltd.	Same parent company	Purchase	488,496	11.52	1 month	-	-	-	(9.95)
	Taiwan Airport Services	Same parent company	Purchase	203,487	4.80	1 month	-	-	-	(2.63)
Cal Hotel	CAL Park	Same parent company	Purchase	114,295	62.50	1 month	-	-	-	-

CHINA AIRLINES, LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
China Pacific Catering Services	China Airlines	Parent company	\$ 254,611	3.61	\$ -	-	\$ 150,554	\$ -
Taoyuan International Airport Service	China Airlines	Parent company	208,532	4.78	-	-	208,532	-

CHINA AIRLINES, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022		Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	Number of Shares	%			
China Airlines, Ltd.	CAL Park	Taoyuan, Taiwan	Real estate lease and international trade	\$ 1,500,000	\$ 1,500,000	151,546,405	100.00	\$ 1,728,454	\$ 72,287	Note 4
	Mandarin Airlines	Taipei, Taiwan	Air transportation and maintenance of aircraft	4,039,140	4,039,140	387,831,234	96.96	1,196,733	(631,631)	Notes 1 and 4
	Taiwan Air Cargo Terminal	Taoyuan, Taiwan	Air cargo and storage	1,350,000	1,350,000	135,000,000	54.00	1,790,921	354,620	Note 4
	Cal-Dynasty International	Los Angeles, USA	A holding company, real estate and hotel services	US\$ 26,145	US\$ 26,145	2,614,500	100.00	1,359,724	62,559	Notes 2 and 4
	China Pacific Catering Services	Taoyuan, Taiwan	In-flight catering	439,110	439,110	43,911,000	51.00	448,222	(104,360)	-
	Taoyuan International Airport Services	Taoyuan, Taiwan	Airport services	147,000	147,000	34,300,000	49.00	424,527	(258,745)	-
	Cal-Asia Investment	Territory of the British Virgin Islands	General investment	US\$ 7,172	US\$ 7,172	7,172,346	100.00	617,106	42,006	-
	Sabre Travel Network (Taiwan)	Taipei, Taiwan	Sale and maintenance of hardware and software	US\$ 52,200	US\$ 52,200	13,021,042	93.93	185,935	(9,931)	-
	China Aircraft Service	Hong Kong International Airport	Airport services	HK\$ 58,000	HK\$ 58,000	28,400,000	4.00	(42,609)	(61,629)	Note 6
	Taiwan Airport Services	Taipei, Taiwan	Airport services	12,289	12,289	20,626,644	47.35	102,745	(130,157)	-
	Kaohsiung Catering Services	Kaohsiung, Taiwan	In-flight catering	383,846	383,846	21,494,637	53.67	349,489	(33,313)	Note 5
	Cal Hotel Co., Ltd.	Taoyuan, Taiwan	Hotel business	465,000	465,000	33,480,000	100.00	304,948	(30,294)	Note 4
China Pacific Laundry Services	Taoyuan, Taiwan	Cleaning and leasing of the towel of airlines, hotels, restaurants and health clubs	137,500	137,500	13,750,000	55.00	92,684	(26,931)	-	
Dynasty Aerotech International Corp.	Taoyuan, Taiwan	Cleaning of aircraft and maintenance of machine and equipment	77,270	77,270	77,270	100.00	144,523	33,854	Note 4	
Dynasty Holidays	Tokyo, Japan	Travel business	JPY 8,000	JPY 8,000	160	20.00	-	-	-	
Global Sky Express	Taipei, Taiwan	Forwarding and storage of air cargo	2,500	2,500	250,000	25.00	8,256	2,576	-	
Tigerair Taiwan Co., Ltd.	Taipei, Taiwan	Air transportation and maintenance of aircraft	5,640,197	5,640,197	313,631,656	78.41	725,747	(2,849,792)	Note 4	
Taiwan Aircraft Maintenance and Engineering Co., Ltd.	Taoyuan, Taiwan	Aircraft maintenance	1,350,000	1,350,000	56,000,000	100.00	451,322	(106,596)	-	
NORDAM Asia Ltd.	Taoyuan, Taiwan	Composite repair and manufacturing business	37,975	37,975	3,797,500	49.00	19,196	(9,639)	-	
Tigerair Taiwan Co., Ltd.	Taipei, Taiwan	Air transportation and maintenance of aircraft	154,330	154,330	15,433,000	3.86	35,711	(2,849,792)	-	
Taiwan Airport Services	Taipei, Taiwan	Airport services	11,658	11,658	469,755	1.08	2,337	(1,402)	-	
CAL-Asia Investment	Eastern United International Logistics	Hong Kong	Forwarding and storage of air cargo	HK\$ 3,329	HK\$ 3,329	1,050,000	35.00	57,188	12,572	-
Taiwan Airport Services	Taiwan Airport Service (Samoa)	Samoa	Airport services and investment	US\$ 5,877	US\$ 5,877	-	100.00	440,445	27,820	Note 3
Kaohsiung Catering Services	Delicia International Co., Ltd.	Kaohsiung, Taiwan	Catering business	10,200	10,200	1,020,000	51.00	7,534	-	-

Note 1: Adopted the treasury share method in recognizing investment income or loss.

Note 2: Represents the consolidated financial information of the foreign holding company disclosed in accordance with local regulations.

Note 3: The company does not issue shares because it is a limited company.

Note 4: The difference is due to lease arrangement between consolidated entities.

Note 5: The difference is due to acquisition.

Note 6: The Company lost significant influence over it during the year.

CHINA AIRLINES, LTD. AND SUBSIDIARIES
INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

China Airlines

Investee Company	Main Businesses and Products	Paid-in Capital	Method of investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022
					Outward	Inward						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	\$ 1,123,036 (RMB 254,480)	Indirect (Note 1)	\$ 128,404 (US\$ 4,186)	\$ -	\$ -	\$ 128,404 (US\$ 4,186)	\$ 92,616 (RMB 20,987)	14.00	\$ 10,542 (RMB 2,563)	\$ 246,704 (RMB 55,902)	\$ 108,483 (US\$ 3,537) (Note 2)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	61,783 (RMB 14,000)	Indirect (Note 1)	59,737 (US\$ 1,947)	-	-	59,737 (US\$ 1,947)	113,521 (RMB 25,724)	14.00	14,292 (RMB 3,270)	142,128 (RMB 32,206)	47,869 (US\$ 1,561) (Note 2)
Taikoo (Xiamen) Landing Gear Services	Landing gear maintenance services	2,548,773 (US\$ 83,090)	Indirect (Note 1)	65,988 (US\$ 2,151)	-	-	65,988 (US\$ 2,151)	-	2.59	-	-	-
Taikoo Spirit Aerospace Systems (Jinjiang)	Composite material	357,761 (US\$ 11,663)	Indirect (Note 1)	19,509 (US\$ 636)	-	-	19,509 (US\$ 636)	-	5.45	-	59,004 (RMB 13,370)	10,936 (US\$ 357)
Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022												
\$273,639 (US\$8,920)		\$663,432 (Note 3)					\$43,472,065 (Note 4)					

(Continued)

Taiwan Airport Services

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022
					Outward	Inward						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	\$ 1,123,036 (RMB 254,480)	Indirect (Note 5)	\$ 123,262 (US\$ 4,018)	\$ -	\$ -	\$ 123,262 (US\$ 4,018)	\$ 92,616 (RMB 20,987)	14.00	\$ 12,966 (RMB 2,750)	\$ 272,011 (RMB 61,638)	\$ 139,299 (US\$ 4,541)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	61,783 (RMB 14,000)	Indirect (Note 5)	59,103 (US\$ 1,927)	-	-	59,103 (US\$ 1,927)	113,521 (RMB 25,724)	14.00	15,893 (RMB 3,552)	167,577 (RMB 37,973)	64,166 (US\$ 2,092)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$182,365 (US\$5,945)	\$182,365 (US\$5,945)	\$130,195 (Note 4)

Note 1: The Company invested in CAL-Asia Investment, which invested in a company located in mainland China.

Note 2: As of December 31, 2022, the inward remittance of earnings amounted to US\$3,536,561 and US\$1,560,538.

Note 3: The amount comprised US\$19,828,324, RMB4,200,000 and NTS36,666,667.

Note 4: The limit stated in the Investment Commission's regulation "The Review Principle of Investment or Technical Cooperation in Mainland China" is the larger of the Company's net asset value or 60% of the consolidated net asset value.

Note 5: Taiwan Airport Services invested in Taiwan Airport Services (Samoa), which invested in a company located in mainland China.

Note 6: The RMB and U.S. dollar amounts of assets are converted at period-end rates and the gains (losses) are converted at the average of the period-end rates for the reporting period.

(Concluded)

TABLE 8

CHINA AIRLINES, LTD.
INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
China Aviation Development Foundation (CADF)	1,867,341,935	31.05
National Development Fund (NDF)	519,750,519	8.64

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

China Airlines Co., Ltd.

Chairman : Hsieh, Su-Chien



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